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EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

ITALY  
Handicapped by its  
railway service  
Page 3

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Tuesday June 26 1990

## World News Business Summary

### Lithuania to consider U-turn on independence

Lithuania's parliament today considers whether to freeze its independence declaration temporarily in return for secession talks with Moscow.

However, no quick decision is likely because of public suspicion of the Kremlin, according to officials in Vilnius, the capital. Page 3

**More shocks in Iran**  
Fresh aftershocks rattled earthquake-devastated northern Iran, sending survivors fleeing for open ground and triggering rescue efforts. The death toll from Thursday's big quake is still climbing and officials expect it to pass 50,000. Page 7

**London bombing**  
An explosion ripped through an exclusive club in the heart of London frequented by members of Britain's ruling Conservative Party. The blast in the ground floor of the Carlton Club caused fire to spread throughout the building, hampering the recovery operation.

**Talks scheduled**  
Pakistan and India are to hold talks on the disputed state of Kashmir, where at least 700 people have died in fighting this year. The meeting, in the Pakistani capital of Islamabad, will be held in second week of July. Page 6

**Germans move west**  
More than a quarter of Romania's ethnic German community has left the country for the Federal Republic in what amounts to a massive vote of no confidence in its new government. Page 3

**Shamir appeals**  
Yitzhak Shamir, the Israeli Prime Minister, has appealed to Soviet President Mikhail Gorbachev not to bow to Arab pressure and cut off the flow of Soviet Jewish immigrants to Israel. Page 7

**Alleged spies held**  
West Germany said it has arrested five people since the end of May on suspicion of spying for East Germany.

**Zambians rebel**  
Police used teargas and live ammunition to disperse rioters who went on the rampage in central Lusaka in protest against a sharp increase in Zambian food prices. Page 22

**Gummen steal \$4m**  
Five masked gunmen broke into a railway postal depot in Alexandria, Italy, and got away with \$4m (£2.5m) in cash, cheques and valuables after tying up night workers.

**Yugoslavian warning**  
The President of Serbia, Yugoslavia's biggest republic, warned that the country would fall apart if the present federal system was changed. Page 5

**Berlin for capital**  
The mayors of East and West Berlin came to Bonn to make a joint claim for Berlin as capital of a united Germany as poll evidence indicates that enthusiasm for the move is dropping. Page 1

**Mafia chief killed**  
Gummen pumped at least 20 bullets into the head and body of Italian Mafia boss Giuseppe Oliviero as he lay asleep in his Naples hospital room.

**Mercurio for mayor**  
Melina Mercouri, 65, Greece's popular actress turned fiery Socialist politician, will seek to become mayor of Athens in elections in October.

**'Not our fault'**  
Officials who run the Cyprus state lottery say a machine fault that made most of the tickets worthless was not their mistake. For two years, only one ticket in five was actually being included in the draw.

### American Express plans new European HQ in London

American Express, the large US travel and financial services group, announced plans to locate its new European headquarters at Canary Wharf, the large commercial development in London's Docklands.

But Merrill Lynch, the US brokerage firm, said it had decided to cancel earlier plans to take space after failing to reach agreement with the developers. Page 22

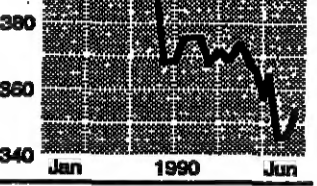
### MARKETS: recent aggressive sales out of the Middle East

has damaged the gold market

said Robert Goy, a director of N.M. Rothschild & Sons.

### Gold price

\$ per fine ounce in London



Meanwhile, Brazil has contributed to the recent sharp fall in the gold price by selling 137 tonnes of the precious metal in the international market since February. Page 42; World Stocks Markets: Back Page, section II

**EUROPEAN Commission** underlined its determination to stop West Germany imposing a control tariff on trucks from the start of next month. Page 22

**MICHELIN**, world's largest tyre group, announced that it would shed 2,250 jobs, 4.6 per cent of its French workforce, because of a fall in demand the French and US car industries. Page 23

**SIEBE**, acquisitive UK controls, engineering and safety equipment group, emerged as the successful bidder for Foxboro, the Massachusetts-based supplier of process automation and control equipment. Page 23; Lex, Page 22

**TEKAM** corporate raider, T. Boone Pickens and Koto Manufacturing, the Japanese automotive parts maker in which he has bought a 26 per cent stake, have engaged in a war of words in advance of the company's annual meeting on Thursday. Page 27

**ELDER'S IXL**, troubled Australian brewing conglomerate, reached a key stage in its asset disposal programme by agreeing the \$450m sale of its controlling stake in Elders Resources NZFP. Page 24

**JAPANESE** and US negotiators were unable to settle outstanding disputes in what is intended to be the last round of bilateral negotiations to remove "structural impediments" to trade. Page 4

**CATERPILLAR**, world's largest maker of earthmoving equipment said second-quarter net income would probably drop to less than half its first-quarter level because of a dramatic decline in results from its Brazilian operations. Page 26; Lex, Page 22

**SAMSUNG**, South Korea's largest conglomerate, is to start producing trucks following an agreement with Nissan Diesel of Japan to supply technology. Page 27

**HONEYWELL**, US controls maker, welcomed two legal developments that should speed up its much delayed patent infringement case against Minolta, the Japanese camera manufacturer. Page 26

## EC leaders set date for talks on political union

By David Buchan, Philip Stephens and Kieran Cooke in Dublin

LEADERS of the 12 European Community states yesterday committed themselves to begin negotiations for EC political union as well as monetary union on December 14-15.

Agreement to begin writing into the EC treaties possibly far-reaching political reforms to give the Community more democratic legitimacy, efficiency and a higher international profile was achieved without any major row.

Mrs Margaret Thatcher, the British Prime Minister, made no attempt to block or delay convening of the two inter-governmental conferences (IGCs).

But she made clear that Britain still had serious reservations about the direction in which the Community was headed.

After a day setting the course on internal EC business, the 12 leaders and their foreign ministers tackled over dinner the questions of aid for the beleaguered Soviet economy and of continuing sanctions against South Africa.

Mr Charles Haughey, the Irish Prime Minister, said the mood of the summit, which he was chairing, was to have "a substantive and positive discussion" about aid for the Soviet Union.

"We all have a very real interest in seeing that (President Gorbachev's) political efforts and perestroika are not derailed, and the political community must see how it can help," Mr Haughey said.

Earlier, Mr Rudi Lubbers, the Dutch Prime Minister, tabled a European energy plan partly aimed at helping the Soviet Union cash in on its large gas reserves.

The discussions on EMU saw a firm commitment by virtually all member states to the single European currency and central bank outlined in the blueprint drawn up last year by Mr Jacques Delors, President of the European Commission.

President Francois Mitterrand of France also suggested that the conference on political union, which will run in parallel with the deliberations on EMU, should set itself the same target date of December 1992 to complete its work.

Today's summit communiqué is to contain this deadline, which was foreboded at the EC summit in Dublin in April dealing with unity between the two Germans.

For the first time, an outsider, Mr Lothar De Maizière, the East German Prime Minister, attended an EC summit. He said his country's impending incorporation into West Germany, and the EC, he held bilateral meetings with several EC leaders, including Mrs Thatcher.

Adopting a conciliatory, if distinctly sceptical tone, Mrs Thatcher called for serious consideration of Britain's proposals for the development of the European Currency Unit (ECU) as a parallel currency.

That would bring closer integration while allowing governments to maintain their independence over monetary policy.

The plan was received politely by other heads of government but drew a largely sceptical response. Mr Mitterrand insisted that it should not

distract from the goal of a single currency favoured by the majority.

Mr Haughey read the UK plan calling for a European Monetary Fund to manage a hard ECU as positive and meaning that "we can accept that the UK has a commitment to EMU, although not along the lines of the Delors plan."

This plan sets out a three-stage move to a single currency.

That view was reinforced by West German officials, who indicated that most other

nations now agreed that the preparatory work for the EMU discussions had been largely completed, and that the British blueprint had come too late to influence the debate.

Just before a summit press conference broke up Mr Haughey forecast that discussions on South Africa would end in consensus to retain EC trade sanctions, in contrast to Britain's desire to ease them.

Sundebank optimism, Environment drive, Energy Community plan and other summit reports and picture, Page 2



Greek Prime Minister Constantine Mitsotakis (left) and West German Chancellor Helmut Kohl in Dublin yesterday

French President Francois Mitterrand, and the rest, about Europe's future.

Half an hour of extra time and still no goals.

The EC leaders were leaving. Mr Haughey was giving a news conference on the progress of monetary union.

The match went to a penalty shoot-out. At four penalties each, Mr Haughey could bear it no longer. EMS and the ECU were forgotten.

The TV was switched on. Romania missed a penalty. "I can't stand the tension," said Mr Haughey.

Ireland scored the decider. The summit, Dublin, and Ireland went mad. Mr Haughey tried to get back to the business in hand. No use.

The EC players trotted off the pitch. The evening belonged only to Jack Charlton and his stalwart men in Italy.

French President Francois Mitterrand, and the rest, about Europe's future.

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### Date set for inquiry into Lockerbie airliner disaster

By Jimmy Burns in London

A FATAL accident inquiry into the 1988 Lockerbie air disaster in which 270 people were killed is to begin on October 1, it was announced yesterday.

Lord Fraser, the Lord Advocate, who is Scotland's senior law officer appointed by the UK Government, said he had reached the view it was "in the public interest" to proceed with the inquiry into the bombing of the Pan American World Airways flight 103.

Ordering the inquiry did not "in any way signify an end of the hunt for those responsible for the murder at Lockerbie," he said.

The inquiry is a procedure under Scots law which has some similarities to a coroner's inquest in England. Its brief is to reach a finding on the immediate causes of the disaster and any "reasonable precautions" which may have prevented it.

The announcement was criticised as insufficient by Dr Jim Swire, spokesman for the British relatives of victims of the disaster in December 1988.

The relatives are calling for a full independent inquiry which could look at wider political and security issues such as the manner in which Heathrow airport and British Department of Transport officials reacted to early warnings of a possible terrorist attack on US airlines.

Dr Swire said: "We believe there is a cover-up of US security and until there is a full independent inquiry we will continue to believe so."

Mr John Prescott, the opposition Labour Party's transport spokesman, said a fatal accident inquiry would be "totally inadequate" and accused Mr Cecil Parkinson, the Government's Transport Secretary, of attempting a "whitewash" on his department's role in the run-up to the disaster.

Police in Lockerbie last night denied a suggestion by relatives that the Lord Advocate's announcement implied that the criminal investigation was being wound down due to lack of evidence.

Inspector William King said an investigation by 50 officers was "continuing to make progress" and had included visits to 52 countries. He could give no indication of when there might be arrests in connection with the affair.

Meeting the challenge of terrorism, Page 12

### E Europe in urgent need of help to service new businesses

By William Dawkins, in Paris

EAST European countries risk stifling their ability to absorb foreign investment if they do not get urgent help to modernise telecommunications and acquire business services, such as accountancy and management consultancy.

That is one of the conclusions of the first substantial seminar on foreign investment in eastern Europe, organised by the Organisation for Economic Co-operation and Development (OECD).

The seminar warned that the nearly \$30n so far invested in joint ventures in the Soviet Union, Czechoslovakia, Poland and Hungary would continue to produce disappointing results unless those countries set in place basic infrastructure to support modern businesses.

"Foreign direct investment is no panacea for market reform... There are significant constraints. An absence of infrastructure, like basic telecommunications, is creating a dramatic bottleneck, especially in Poland," said one of the 80 experts from the OECD, east European governments, businesses and trade unions at the seminar.

The seminar drew up general guidelines for the 24-nation body, on offering expertise and co-ordinating other international help. These will be the subject of a series of meetings in coming months.

Market management, competition policy and taxation were felt to be the areas where the Paris-based organisation had the most to offer, said officials.

The seminar, organised by the OECD's four-month-old specialist centre on eastern Europe, agreed that the organisation's investment codes should be applied in the region to boost investor confidence and help the process of reform.

These included the OECD code on liberalisation of capital movements, governing foreign investors' rights of establishment and the so-called national treatment instrument, which stipulates that foreign companies should be treated as favourably as domestic ones.

Officials said these codes of business behaviour could be applied immediately and bilaterally, without formal OECD agreement. They also saw a need for legal protection for intellectual property, the lack of which could deter western companies from transferring high technology to the region.

## Penalty of playing second fiddle

By Kieran Cooke in Dublin

IT WAS as if the city was expecting a typhoon. The streets emptied. Offices closed. Firms shut their doors - after making sure everyone was inside.

There might have been a European Community summit in Dublin, but for 99 per cent of the Irish population there was only one show worth watching. At 4pm yesterday, Ireland strode on to the pitch in Genoa to take on Romania in the second round of the World Cup.

The future of the European Monetary System, the stability of the European Currency Unit, the dates of an inter-governmental conference: down in the closest EC arena at Dublin Castle, Europe's leaders trudged through the Eurospeak.

But outside, hysteria was building up over the match. "Joseph Delors! What about Jack Charlton? The English-born manager of the Irish team?"

There were more than 1,000 journalists at the summit, but attendance at afternoon briefings was well down.

Events at the summit became a little cloudy. Even the most committed Euro-communists found it difficult to concentrate as the play went back and forth.

Most of Ireland took the afternoon off. Trading on the Dublin stock exchange dried up. More than 2,000 avid fans paid 12,450 (£720) a head to fly out to Italy for the day to see the match.

Mr Charles Haughey, the Irish Prime Minister, might have felt a little hard done by. His big EC moment and the crowd was looking the other way.

But Mr Haughey knew he had to sit at this game out. Rumour had it that runners were being sent to the airport to pick up the German Chancellor Helmut Kohl.

Mr Kohl, who was expected to arrive in Dublin yesterday, was understood to have accepted an offer to live in Cambridge where Professor Fang will take up an academic research post at the university.

The decision to let the couple leave follows protracted negotiations during which Italy and Australia were considered as possible homes for the Fangs. The Chinese authorities have been looking for a way to resolve the problem without losing face.

The impasse was finally resolved by the couple agreeing not to campaign against China from abroad coupled with Britain's agreement to give them a home and an announcement by Peking that the couple were "being allowed to seek medical treatment abroad."

Their release is seen as important for China, struggling to regain international respectability following last June's massacre of demonstrators in Peking.

The release also comes at a welcome moment for the US Government. Mr Martin Fitzwater, the White House press spokesman, said the "humanitarian action is a farsighted significant step that will improve the atmosphere for progress in our bilateral relations." He added that the US had made no commitments to China.

But the timing is particularly welcome to President George Bush because Congress is debating his decision last month to extend most-favoured nation trading status to China, and the associated low tariffs, for another year.

Mr Bush has faced strong criticism for his policy of keeping open high-level contacts with Peking. He and his advisers have recently admitted disappointment at the lack of progress in Peking over relaxing curbs imposed after the crackdown.

Chinese security men were still keeping up their watch yesterday outside the US Embassy in Peking, unaware Professor Fang had long gone. Background, Page 6

## Peking allows leading dissident to leave after secret dealings

By Peter Ellingsen in Peking, Robin Pauley in London and Peter Riddell in Washington

CHINA'S leading dissident, Professor Fang Lizhi, left China yesterday after a year's refuge in the US Embassy in a clandestine operation mounted in the wake of a secret deal between Peking, London and Washington.

Professor Fang and his wife, Professor Li Shudan, were put on a special flight to London after being issued "a visa on request" by UK diplomats.

Professor Fang, 54, an astrophysicist of world renown, and his wife had been invited to pursue his academic career in Britain by the Royal Society.

The couple took refuge in the US embassy in Peking on June 8 last year - a day after the Communist leadership sent troops and tanks into Tiananmen Square to crush demonstrators. They were accused of "crimes of counter-revolutionary propaganda and instigation, offences which are tantamount to treason."

Thousands involved in 1989's uprising are believed to remain in custody without trial.

Professor Fang and his wife will initially stay in Britain for six months, but the Foreign Office said yesterday this might be extended. They are understood to have accepted an offer to live in Cambridge where Professor Fang will take up an academic research post at the university.

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## A Japanese son lights the fire of nationalism under talks with US



Shintaro Ishihara (left) is probably Japan's most maverick politician. An MP of 22 years standing, he has recently emerged as the self-appointed bearer of the torch of Japanese nationalism. Page 4

## MARKETS

<b>STERLING</b> New York close \$1.731 (1.733) London \$1.7305 (1.733) DM2.9025 (2.9025) FF8.7475 (8.74) SF2.44 (2.4425) Y238.75 (238.25) S index 91.2 (91.2) GOLD New York: Comex Aug \$356.2 (352.8) London: \$353.5 (348.75) IN SEA OIL (Argus) Brent 16-day Aug \$16.2 (16.125)	<b>DOLLAR</b> New York close DM1.6775 (1.6745) FF6.5305 (6.524) SF1.4105 (1.4117) Y155.35 (154.89) London: DM1.578 (1.5745) FF6.5325 (6.52) SF1.4095 (1.409) Y155.35 (154.73) S index 67.5 (67.5) Tokyo close: 155.62	<b>STOCK INDICES</b> FT-SE 100: 2,398.5 (+20.0) FT Ordinary: 1,829.4 (+16.4) FT-A All-Share: 1,179.39 (+0.6%) FT-A World Index: New York close DJ Ind. Av. 2,845.05 (-12.13) S&P Comp 362.51 (-3.12) Tokyo: Nikkei 31,124.19 (-570.38) LONDON MONEY 3-month interbank closing 14% (14.33) Life long gilt future: Sep 85: 85 (86.5)
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## EUROPEAN NEWS

## Lithuanians consider freeze of independence declaration

By Leyla Boulton in Moscow

LITHUANIA'S parliament today considers whether to freeze its independence declaration temporarily in return for secession talks with Moscow.

No quick decision is likely because of public suspicion of the Kremlin, according to officials in Vilnius, the capital.

Under a compromise proposed two weeks ago by President Mikhail Gorbachev, Lithuania would need to suspend its declaration only for the duration of negotiations.

"The proposal will be neither rejected nor approved," predicted Mr Vytautas Katilius, deputy editor of Gytasias Krastas, a pro-independence newspaper.

"In principle, people see the need for some sort of compromise, but they won't accept a moratorium without some guarantees from Moscow, and there are none."

Sajudis, the pro-independence movement which claims

the loyalty of two-thirds of parliament's deputies, has already come out against any suspension of the declaration. But a spokeswoman said yesterday that it was not clear how deputies would vote.

Professor Kazimieras Antanavicius, the social-democratic chairman of parliament's economic affairs committee, said he believed deputies would eventually accept a compromise.

"I think that after long discussions, debates and arguments, the parliament will accept the formula of a moratorium because there is no other way out," he said in a telephone interview.

Professor Antanavicius, who said half his Sajudis colleagues supported a deal, dismissed fears that the proposed moratorium was a dangerous trap.

"A moratorium is not binding and if Gorbachev and the Kremlin decide us, we will

reap a dividend from this," he said. "Whereas if we do nothing, we will be the ones to look awkward in the eyes of the world."

Lithuania's leadership, cautiously supporting the proposal in public, has also demanded an immediate end to Moscow's crippling economic sanctions.

Mr Romualdas Sikorskis, the Finance Minister, was quoted as saying that Moscow's embargo had cost Lithuania more than Rbl100m. Mr Nikolai Ryzhkov, the Soviet Prime Minister, has said the blockade would be lifted as soon as negotiations started.

Illustrating the hostility of some Lithuanians towards any deal with Moscow, one radical slogan daubed outside the parliament building last week suggested the Lithuanian government was under orders from the KGB and the Soviet Communist Party.



Italian railways are among the most inefficient in Europe. But is the creaking locomotive finally leaving the station?

## Blocked lines on Italy's railways

ANYONE SEEKING the most perfect symbol for the inefficiencies, waste, politicisation and corruption of Italian public administration need look no further than the Ferrovie dello Stato (FS), the Italian national railways.

By one means or another, the FS consumes around L15,000bn (\$12.19bn) of taxpayers' money a year, offers a mediocre service except for inter-city express, is highly bureaucratised and crudely exploited by politicians.

The absence of any convincing strategy over several decades is why the railways have a much lower share of the transport market for people (13 per cent) and goods (12 per cent) than its equivalents elsewhere in Europe. Its costs and inefficiencies are a crucial structural handicap for the Italian economy which every independent analysis suggests will be an awkward penalty at the opening of the European Community's new internal market.

Mr Lorenzo Necci, the former president of Enimont, the troubled public-private chemicals industry joint venture, is about to step into this quagmire. He succeeds Mr Mario Schimberni, whose "company doctor" reputation was forged by his turnaround of the Montedison group.

Mr Schimberni's "temporary" appointment in November, 1988 - he accepted the post of special administrator for three months and stayed 18 - was a signal that the Government wanted a professional, market-oriented approach to railway management. Mr Necci's succession would seem to sustain the commitment.

But signals are one thing in Italy, political realities another. Because the coalition parties were unable to agree among themselves, the Government has needed more than a year to adopt a draft law establishing the FS as an *ente economico* which promises management a greater freedom from political control.

However, it is by no means clear that this principle will survive parliamentary assaults by politicians for whom the railways are a source of public patronage and private convenience (like the Rome-Milan sleeper service which makes a detour on political request to Genoa, and other ser-

vices specifically designed to deliver parliamentarians to and from the capital). Until the new law is passed, which will take many months, the FS will continue to be run by a special administrator subject to almost daily interference by the Transport Minister and his officials. Mr Necci's inheritance, however, is far better than Mr Schimberni's because the latter can argue, with some justice, to have at least laid the foundations of a more market-oriented organisation.

When he was invited to step in by the then Prime Minister, Mr Ciriaco De Mita, the railways' management was on its

A new man is about to take over the driver's seat. His predecessor's achievements are examined by John Wyles

knees with its president, Mr Ludovico Ligato (subsequently murdered last summer, probably by the Calabrian mafia), and most of its board having resigned because of corruption investigations.

Mr Schimberni says he found a management culture with little sense of the market, and bureaucratic practices which kept mountains of paper in almost permanent circulation, partly to avoid making decisions. In pursuit of a cultural revolution, he insisted that consumers of railway services should be known as "customers" rather than "users", and set about reorganising the management, bringing greater transparency to its relations with suppliers and trying to identify priorities. "I decided that the entire network was under-used by 25-30 per cent and that more and faster services were needed."

But Mr Schimberni found his freedom to pursue his objectives severely limited not only by the Transport Ministry's right to have the last word on most matters of detail, but also by the unions' acquired rights to approve an extraordinarily wide range of management decisions.

For this reason he insists that "getting the structural decisions right" is the key issue. The Government should decide the

general direction of railway policy but management must have wide freedom to pursue commercial strategies. During his period in office, Mr Schimberni's efforts have been directed, with only partial success, at winning political approval for a strategy whose first priority was the development of goods traffic.

Above all, Mr Schimberni's argument with the two Transport Ministers with whom he has had to deal - Mr Giorgio Santuz and now Mr Carlo Bernini - has been over the FS investment programmes. He politely refers to the politicians' tendency to build in "social considerations at the expense of efficiency," but the result has been that the Schimberni investment plan has been grossly inflated by his political interlocutors.

In May last year, Mr Santuz accepted a 10-year investment programme of L46,500bn (£26bn) which Mr Schimberni forecast would cut the state's total subsidy by up to 72 per cent at the end of the period. By last November, retouching by the ministry pushed the total up to L59,700bn. By May this had risen to L62,690bn after parliament had bolted on its preferences. The actual figure, including VAT and infrastructure renewal, will probably be closer to a breathtaking, and highly unlikely L125,000bn.

According to Mr Schimberni's analysis, the programme adopted by the Government finishes by favouring passenger rather than goods traffic, pushes up rather than reduces running costs and increases the railways' financial dependence on the state. Obviously, such an approach is incompatible with the broader aim of reducing the public sector deficit and is unlikely to survive the growing pressure on public finances.

More durable, however, are the expected benefits of the recent, highly generous, pay and conditions contract by which Mr Schimberni has bought out the unions' obstructive role in day-to-day management. In conjunction with the early retirement of around 30,000 of the railways' 210,000 employees, he believes that this will yield productivity increases of around 30 per cent over the next three years.

## Milosevic fires warning shot over borders

By Laura Silber in Belgrade

THE PRESIDENT of Yugoslavia's biggest republic yesterday warned that the country would fall apart if the present federal system were changed.

In what amounted to a threat to the other five republics, Mr Slobodan Milosevic, the president of Serbia, said that if the federation were changed to a confederation, Serbia's borders would become "an open political question."

His uncompromising comments follow suggestions by Slovenia and Croatia, the two western republics of Yugoslavia, that the republics' rights should be strengthened at the expense of the central federal authorities.

This would weaken the political clout of Serbia, where nationalists and Communists are locked in a bitter battle over the timing of the republic's first, free and multi-party elections.

Yesterday, in his televised address to the Serbian parliament, Mr Milosevic clearly aimed his message at the 2.5m Serbs who live in the western republic of Croatia and the central republic of Bosnia-Herzegovina.

He said: "In the event of changes (to the federal system), Serbia would have to be an independent state." Liberal Serb intellectuals interpret this as attempts by the leadership to expand its borders to those regions which include Serbs.

In an attempt to rally Serbs around him, Mr Milosevic proposed a republic-wide referendum "for citizens to take a stance on the new constitution which is the only way to guarantee the equal rights of all citizens in Serbia."

The new constitution, while paving the way for multi-party elections, would at the same time, curb even further the autonomy of the provinces of Kosovo and Vojvodina.

In the event, if both provinces were reintegrated fully in Serbia, the votes of both provinces would carry little weight and might help Mr Milosevic retain power.

## Romania's ethnic Germans seek opportunity in the west

By Owen Bennett-Jones in Bucharest

MORE than a quarter of Romania's centuries old ethnic German community has left the country for the Federal Republic in what amounts to a massive vote of no confidence in its newly elected government.

Hundreds, even thousands, more Germans hoping to secure visas, gather daily outside the embassy in Bucharest. "I expect that by the end of 1991, 80 per cent of the 200,000-strong German population will have left," says Mr Klaus Brambach, an official in the West German Embassy.

The Romanian Government is anxious to stem the flow of one of the country's more educated minorities. Mr Adrian Motiu, the Secretary of State with responsibility for minorities, believes that the exodus can be reversed.

He stresses that the Germans started to leave under the Ceausescu regime and argues that the blame for the Germans' desire to leave lies with the former dictator. "The

post-revolutionary government is co-operating with the West German Government to create financial conditions which might persuade the Germans to stay," Mr Motiu said.

But so far the two governments' efforts have been in vain. The village of Bertam, outside the Transylvanian city of Sibiu (Hermannstadt as the Germans call it), used to be the home of 800 families. Since the revolution 800 of those families have emigrated. The remainder now feel so isolated that they too are considering leaving.

The Germans who are going give different reasons for their decision. Many had already applied to leave under the Ceausescu regime but it is only now that they have a good chance of getting a visa. Most already have relatives and friends in West Germany. Others say that they don't believe that democracy is assured in Romania.

Few admit that they are seeking only a better standard of living but there is no doubt

that secretly many Romanian Germans yearn for opportunities West Germany provides.

There are two significant German populations in Romania. The Swabian Germans came 250 years ago and live in the Banat, an area in south-western Romania. But the Saxon Germans who live in Transylvania have been in Romania for 850 years. The Germans have traditionally enjoyed good relations with the majority Romanian population.

Non-governmental groups in West Germany are sceptical that the emigrants realise how difficult life will be in the West. Helga Bienenberg works with a West German Protestant church group trying to forge links with German churches in Romania.

She believes that many Romanian Germans will be disappointed with their new life. "They have given up their communities and their homes and many are finding it difficult to establish roots in West Germany."

# 7 2 3 1

## METRES UNTIL THEY MEET.\*



### A BREAKTHROUGH FOR BRITAIN.

\*Metres to be bored in the service tunnel (one of three tunnels under construction) as at 24.6.90. The system is expected to be operational in 1993.



## WORLD TRADE NEWS

## Japan, US still at odds in trade impediment talks

By Robert Thomson in Tokyo

JAPANESE and US negotiators were unable to settle outstanding disputes yesterday in what is intended to be the last round of bilateral negotiations to remove "structural impediments" to trade.

The first day of the scheduled two-day Structural Impediments Initiative (SII) talks was devoted to the US list of complaints about Japanese policies, but a member of the US delegation said none of the most important issues had been resolved last night.

Today's talks are due to be given over to Japanese suggestions for US reforms to increase the country's competitiveness and reduce a \$49bn (\$28.5bn) bilateral trade deficit, though US proposals will again be the centre of attempts to draft a final SII report.

The US delegation official said that disputes remained on Japanese policies on land use, public investment, corporate groupings, and pricing mechanisms, all of which have been targeted as structural barriers to balanced trade.

Two hours were spent debating an increase in Japan's planned public investment over the next decade, with US officials insisting that Japan should use a percentage of GNP as a target.

Japanese negotiators argued that such a fixed target would reduce economic policy flexibility and could contribute to

inflation. "We have never encouraged any government to adopt policies that would increase inflation," the US delegation official told a press briefing.

He said the point of the public investment increase was to improve infrastructure, and to bring savings and investment levels more into balance. US officials rejected a Tokyo proposal to spend ¥415,000bn over the next 10 years, though it is likely that a figure of about ¥460,000bn will be eventually accepted as a target.

Japanese and US officials characterised yesterday's talks as "constructive", but there were indications that the meeting could extend beyond the scheduled two days and that there could be difficulty in producing a final report to present to the Group of Seven summit next month.

Asked if a possible increase in the US bilateral deficit later this year could prompt the US Congress to pressure the SII talks, which began last September, the US official said that such a response would be a "shame" because the changes introduced by the talks would be more clearly seen in two to three years.

He emphasised that the SII talks, which began last September, were a "two-way street", and that the US would respond positively to the Japanese suggestions expected today on US corporate behaviour and the budget deficit.

## Third World in bid to lift curbs on workers

DEVELOPING countries moved yesterday to ensure the General Agreement on Trade in Services (GATS), under negotiation in the Uruguay Round, will let foreign workers enter industrialised countries on a temporary basis, to work on construction sites, in hotels and restaurants or supply other labour-intensive services. William Dullforce reports from Geneva.

Five Latin American countries - Argentina, Colombia, Cuba, Mexico and Peru - together with Egypt, India and Pakistan, tabled a draft text of an annex on the temporary movement of services personnel which they proposed should be added to a GATS framework.

In general, it aims at stopping immigration regulations acting as "an unnecessary barrier" to trade in services. Industrial nations would have to let services companies from developing countries operating within their borders draw workers from their home bases under time-limited contracts. Governments would not apply labour certification tests or prior approval procedures to such personnel.

Under the proposed annex, services companies from advanced nations would be able to recruit personnel from "the source economically most advantageous" to them - in other words, developing countries.

The drive to liberalise the \$600bn (\$350bn)-a-year world trade in services has come from the US and other trading powers eager to force open markets for their bankers, insurers, computer companies, and other purveyors of sophisticated services.

In return, developing countries have argued the GATS should open the way for expanded exports of the more labour-intensive services in which they have advantages but where immigration controls often obstruct.

This type of liberalisation would benefit, for instance, Korean, Pakistani and Philippine contractors or guest workers in European restaurants and hotels, but would also apply to people providing professional or management services.

## A Japanese son rises against Washington

Stefan Wagstyl on an outspoken nationalist who loves being 'devil incarnate' to the US

MR SHINTARO Ishihara introduces himself with typical flamboyance: "I am the notorious Ishihara, Japan's devil incarnate as they call me in the US. And I love it."

Mr Ishihara is probably Japan's best-known maverick politician, an MP of 23 years standing. He has emerged in the last year, courtesy of one co-authored book and a lot of public speaking, as Japan's most notorious US-hater. With the two countries this week entering the final round of the unimpeachable version of the Structural Impediments Initiative, it came as no surprise that Mr Ishihara has taken the opportunity to light some nationalist fire under Japan's foreign policy.

He announced a list of 109 demands which Japan should make of the US in return for the economic reforms the US has insisted on Japan.

Top of his agenda is a demand that the US commit itself to spending 5 per cent of its gross national product on education - which mirrors Washington's request for Japan to raise its public investment budget to 10 per cent of GNP. His list also contains proposals for minimum age-limits for credit cardholders and reductions in the operating hours of bank cash machines to discourage consumer spending, plus Japanese-style neighbourhood police boxes to cut crime.

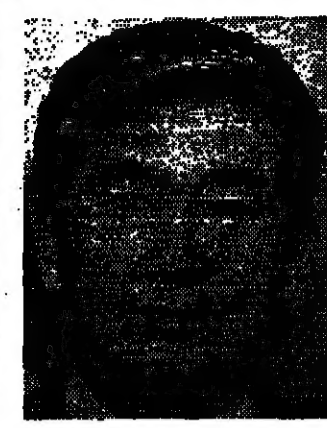
He has not, of course, changed the view of the ruling Liberal Democratic Party and of the Japanese public that there is merit in the US-Japan alliance as the cornerstone of Japanese foreign policy.

However, he does strike a chord with those Japanese who think their government is unwilling to stand up to Washington. They include a small minority inside the LDP, where Mr Ishihara can count only 16 supporters in parliament. But his personal popularity, not to mention his skill as a self-publicist, guarantee a wide audience.

He leapt to international prominence last year with the publication of a book, *The Japan That Say No*, written with Mr Akio Morita, the founder of Sony, the electronics company. It is a sweeping attack on US attitudes to Japan. Mr Morita, worried about his reputation in the US, has since had second thoughts about the book.

The Ishihara view is that Japan must come out of American tutelage and become more assertive in the world. At a press conference last week, he said Japan had once again to engage in nationalism. The country had to be "national" before it could be "international", said Mr Ishihara in a characteristically vague flourish.

Racial arguments permeate his thinking. In his book, he claims the only reason the US dropped the atom bomb on Japan, and not on Germany,



Ishihara: says the unthinkable

was the Americans' "racial attitude".

"It is my firm conviction that the roots of the US-Japan friction lie in the soil of racial prejudice," he wrote.

Technological progress, he goes on, gives Japan the opportunity to assert itself politically. Japanese microchips are essential for modern weapons. "The more technology advances, the more the US and the Soviet Union will become dependent upon the initiative of the Japanese people."

Now 58, Mr Ishihara enjoyed early fame as a best-selling novelist while a student. He reveals in his public image - part-politician, part-artist and part-playboy. He loves yachting, scuba-diving and tennis and being photographed with television and film stars.

Since entering politics in 1988, he has not allowed mem-

bership of the ruling Liberal Democratic Party, which is conservative, to blunt his populist edge. He was one of the first Japanese politicians to support radical economic liberalisation, including of rice production.

"Nobody listened then," he said, "but when the Americans say something everyone listens. It is pitiful."

This radicalism has kept him on the fringe of the LDP inner circle. But he is still seen as a party asset, since he can get away with saying publicly what many of his peers think privately.

Even the Japanese establishment, though it is repelled by his extremism, can acknowledge that the Japanese international presence needs a clearer identity. Thus the ultimate mandate, Mr Toyoo Goyohden, a former senior finance ministry official, wrote earlier this year: "The thing that concerns me most is the fact that for all its national strength, Japan still has not acquired the sort of 'national personality' that would make the nations of the world accept her as one of themselves."

Mr Ishihara is not as good at backing up eye-catching pronouncements with facts. When proposing that the US should raise education spending to 5 per cent of GNP, for example, he was unable to put a figure on the current ratio (it is 4.1 per cent). Few scientists agree that Japan is already ahead of the US in technology, or businessmen that US is no longer

"the world's number one industrial power".

Nor does he help his cause much by his continued belief in Japanese superiority over other Asian countries. In his book, he wrote that the economic success of South Korea and elsewhere owed something to Japanese colonisation. "We are aware that some negative things happened under Japanese administration but it cannot be denied that many positive changes were left behind."

Not all his ideas are neo-Nazi. Nor does Mr Ishihara advocate the scrapping of the US-Japan Security Treaty, the basis of bilateral relations for the past 50 years.

However, he believes Japan needs to be more militarily independent, by spending less on American troops in Japan and more on its own forces. But he wants Japan to stay within the framework of US regional and global strategy.

The trouble is that while he stays inside the mainstream on some issues he swims in deep rhetorical waters on others. Even some of those Japanese who most admire Mr Ishihara, have to admit that they do not quite trust him.

And even those Americans who might agree that their children's education leaves something to be desired, are likely to bristle at the suggestion that unfettered access to their bank accounts is against the national interest.

## Italy bank loans for China

HONG KONG-based Italian banks are returning export credit loans to China after approval from Rome, bankers say, Reuters reports from Hong Kong.

Credito Italiano, majority-owned by the Italian Government, plans to provide export credit lines to two Chinese state-owned banks. An Italian state subsidy scheme, including export credits and soft loans through Italian commercial banks, was frozen after the Tiananmen massacre last June. Some Chinese industrial projects were halted because

the factories involved could not import Italian equipment without export credit loans.

Credito Italiano is handling a \$25m credit line to the Shanghai-based Bank of Communications, and one for \$100m to a state-owned bank. Two Chinese steel plants are expected to receive Italian subsidies to import equipment soon. Banca Nazionale del Lavoro is lead-managing a loan to the Tianjin Seamless Steel Tube Plant, with Banca Commerciale Italiana lead-managing the Anhui Seamless Steel Tube Plant loan.

In return, developing countries have argued the GATS should open the way for expanded exports of the more labour-intensive services in which they have advantages but where immigration controls often obstruct.

This type of liberalisation would benefit, for instance, Korean, Pakistani and Philippine contractors or guest workers in European restaurants and hotels, but would also apply to people providing professional or management services.

The study, by Mr Andrew Stoeckel, an applied economist from the Centre for International Economics in Canberra, suggests the EC would be the largest loser from any protectionist trend in Europe.

Imports would become more expensive and European companies would lose competitive

edge because of the higher cost of imported inputs, the study says. Other regions would lose too as a result of European trade barriers that their losses would be smaller, being confined to \$16bn in the Asia-Pacific region and \$49bn in North America.

Commissioned by the Confederation of Asia-Pacific Chambers of Commerce, the work uses a model of the world trading system to trace both the immediate and the long-term effects of trade restrictions.

Though the study is based on subjective assumptions about the impact of such

moves and largely ignores the potential gains from liberalising trade in services, it gives a rare insight into the magnitude of changes in economic performance which would follow from the policy options facing the EC and the US.

The study's conclusions are that the EC stands to gain significantly in its own right from the single market, but the extra benefit that will accrue to the US would be small, and Japan could even lose marginally because of the extra competition it would face from EC companies.

Trade liberalisation by the EC over and above implemen-

tation of the single market - defined as a 50 per cent reduction in tariffs and in non-tariff barriers - would add \$117bn, or 2.5 per cent of its 1988 GDP, to its economic output. North America would gain \$31bn and the Asia-Pacific region \$9bn.

By contrast, the outlook would be bleak for all parties if the EC were to turn protectionist and the US to retaliate with restrictions of its own.

The EC would then lose \$128bn in output, North America \$64bn and the Asia-Pacific region \$16bn.

Even if Europe became a fortress, the US would do better to pursue its own liberalisation, once again by cutting tariff and non-tariff barriers, the study suggests. North America would derive net gains of \$63bn, the Asia-Pacific region \$38bn and the EC \$42bn.

By far the greatest gains to the world economy would come from a joint effort at liberalisation by the two trading powers. This would add almost \$400bn to world output, with over half accruing to the EC.

*Western Trade Blocs, by Andrew Stoeckel, David Pearce and Gary Banks, pp 128. Available for a handling charge of £450 from Centre for International Economics, GPO Box 2203, Canberra ACT, Australia 2601.*

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## EUROPEAN FREIGHT MANAGEMENT

## FT LAW REPORTS

## Husband makes gifts to avoid judgment debts

MOON AND OTHERS v FRANKLIN AND ANOTHER  
Chancery Division:  
Mr Justice Mervyn Davies:  
June 20 1990

GIFTS MADE by a husband to his wife in circumstances in which it is inconceivable that he could have had any purpose other than to avoid possible judgment debts, may be frozen by the court for the protection of claimants pending judgment, to the extent that they are still ascertainable in the wife's hands.

MR JUSTICE MERVYN DAVIES so held on a claim by Mr Peter Moon, his wife, Mrs Margaret Moon, and a company under their control, Professional Personnel Consultants Ltd (PPC), for relief under the debt avoidance provisions of the Insolvency Act 1986, against Mr Arthur R. Franklin and his wife, Mrs Molly Franklin.

Section 423 of the Insolvency Act 1986 provides: "(1) This section relates to transactions entered into at an undervalue, and a person enters into such a transaction... if (a) he makes a gift... for... no consideration... (2) where a person has entered into such a transaction, the court may... make such order as it thinks fit: (a) restoring the position... (b) protecting the... victim... (3)... an order shall only be made if the court is satisfied that it was entered into by him for the purpose (a) of putting assets beyond the reach of a person who is making... a claim against him..."

HIS LORDSHIP said that the Moons were personnel consultants. Some of their business was carried on through PPC which they controlled.

Mr Franklin was a certified accountant. He attended to the Moon's business accounts from 1979 until July 23 1988. After October 31 1988 he carried on his business through his own company.

On August 15 1988 the Inland Revenue added Mr Franklin's name to the Moon's accounts. The accounts were taken away. In 1988 he was convicted of various offences. The conviction was followed by a 12 month sentence which had now been served.

The Revenue, when investi-

gating Mr Franklin's activities, examined the Moons' accounts. What would prompt the Moons and PPC to sue Mr Franklin for professional negligence?

The writ was issued on October 14 1987. The action would not come on for some months. The sum claimed was in excess of £20,000.

Prior to issue of the writ Mr Franklin had been informed that his insurers were reserving their position under his professional negligence insurance policy in the light of the fact that he was then being sued for negligence in another action by In Focus Promotions. He was facing the criminal charges, the In Focus action, and the threat of action by the Moons. Furthermore, a Mr and Mrs Upton were threatening action. In July 1988 the policy was formally avoided on grounds of material non-disclosure.

On July 1 1987 Mr Franklin sold his accountancy practice for £28,500 immediate payment plus £24,000 to be paid by 12 monthly instalments.

Mr Franklin agreed to make a disposition of £265,000 in favour of his wife. The circumstances in which the payment was made were referred to in letters exchanged between the Franklins. It was stated that the matter was dealt with in correspondence, because they were living under the same roof.

In a letter dated June 26 1987, Mrs Franklin requested some form of payment-out of the anticipated proceeds of sale. Mr Franklin replied by letter, "the £265,000 is a gift with no strings attached and is an expression of my gratitude for all the help and support you have given me".

In her reply Mrs Franklin said she would accept the £265,000 but that she would use it to pay off a bank loan and the house mortgage totalling £40,000. Mr Franklin replied: "The gift of £265,000 is for your benefit... but... I would not object provided that you allow me to transfer my share in the house into your name."

Of the £265,000 paid to Mrs Franklin £40,000 was applied to the house mortgage. She was left with £225,000, which was paid into her building society account, of which £5,000 was retained. The house was transferred into her sole name and the mortgage was deleted from the register.

A Mareva order was made against Mr Franklin. On June 15 1989 Mrs Franklin undertook not to sell the house and a flat in Eastbourne bought in joint names in August 1988 until further order, without giving 28 days notice. On February 29 1990 she gave notice that she wanted to sell the house.

Mr and Mrs Moon now applied for relief under Part XVI of the Insolvency Act, headed "Provisions against debt avoidance".

The £265,000 disposition, the transfer of interest in the house, and the purchase of the Eastbourne flat were gifts and were therefore entered into "at an undervalue" within section 423(1) of the Act. Mrs Franklin might believe them to be acknowledged gifts of loyalty, but if Mr Franklin's purpose was within section 423(3), an order might be made despite her belief.

In evidence Mr Franklin denied that he transferred his interest in the house with the intention of putting his assets beyond the Moons' reach. He said the £265,000 was an expression of gratitude made in circumstances which were apparent from the letters which passed between himself and his wife.

He said that in his view he had nothing to worry about in a financial sense in June or July 1987. He was confident he could dispose of the criminal charges; he regarded the In Focus claim as unlikely to proceed; and was confident he could rebut the Moon claims. He was not critical about the Upton claim, which he supposed he would be able to satisfy his insurers that the policy ought not to be avoided.

He explained the curious feature of correspondence between husband and wife living in the same house, by the fact that at that time they were hardly speaking to each other. His evidence was not reliable. The court must infer and was satisfied that the transactions were entered into by Mr Franklin for the purpose of putting assets beyond the reach of claimants.

In June 1987 Mr Franklin was about to receive a substantial sum for the sale of his practice. At the same time he knew he was being threatened with action by the Moons, and the In Focus action was current. He knew there was doubt about his insurance cover.

It was inconceivable that in that situation he would find himself able to behave in so generous a fashion to his wife. There was no evidence that he had any other means. It could only be concluded that his purpose was to put his assets out of reach of those who might claim against them.

Mr Maurice for the Moons accepted it would be inappropriate to order Mr Franklin to restore to Mr Franklin £265,000, of which £40,000 had been used on the loan. In the building society account only £5,000 was derived from the original £265,000.

It was made clear that order ought to be made so that the Moons' purpose was to put his assets out of reach of those who might claim against them. That their application was to be regarded as being made for the benefit of all claimants, not for the Moons only, that there was no reason why the £265,000 should not be preserved to be available for claimants should they succeed in their actions; that Mr Franklin's transfer of his interest in the house ought not to be allowed to stand; and that the Eastbourne flat was derived from monies supplied by Mr Franklin.

The discretion conferred by section 423(2) was wide. The court construed paragraph (a) and (b) conjunctively and took the view that it might make an order for protecting the interests of the Moons and other victims. There was no reason why it should not make a declaration as well as an order.

The court made declarations that the £265,000 gift and the transfer of interest in the house were made for the purpose of putting assets beyond the reach of claimants.

It ordered that pending the outcome of the Moons' action, £5,000 was to be paid by Mrs Franklin into a solicitor's deposit account; Mrs Franklin was restrained from disposing of or dealing with any legal or beneficial interest in the house; and Mr and Mrs Franklin were restrained from disposing of or dealing with the Eastbourne flat.

For Mr and Mrs Moon: Jeremy Maurice (Cooke Mallesons). For Mrs Franklin: Robert Hansusch (Baltchells). Mr Franklin appeared in person.

Rachel Davies  
Barrister



## INTERNATIONAL NEWS

## Asian little dragon muffles its roar

Peter Wickenden previews a revision of the Taiwanese constitution

Hardliners in Taiwan's ruling Kuomintang Party and independence activists once jailed for sedition are about to sit down to discuss the razing of the island's 40-year-old phantom regime.

Faced with a constitutional crisis and unprecedented KMT splits on the eve of his election in March, President Lee Teng-hui bowed to calls for an emergency national conference. One hundred and forty KMT and opposition Democratic Progressive Party members, academics, business leaders and lawyers will meet for four days from June 28.

They will discuss changing the Republic of China's sacred Constitution to allow a total reorganisation of congress and the government. Not only could this allow complete democracy for the 20m people of Taiwan, but it could also create a new and stronger national identity, and a realistic basis for rapidly-expanding exchanges with China. The two are inextricably linked.

Since it was driven off the Chinese mainland by Mao Zedong's forces in 1949, Taiwan's nationalist government has consistently claimed that it is the sole legitimate ruler of China, and would one day "recover" its lost territory.

The communist government has been regarded as a rebel regime with which no contact, negotiation, or compromise (Taipei's Three No's Policy) could be considered. After 50 years of Japanese occupation, from 1894 to 1945, millions of native Taiwanese regarded the KMT as a defeated fugitive regime, and have advocated independence for Taiwan at the risk of being jailed for sedition.

To justify its claim to legitimacy, the KMT declared a "Period of Mobilisation for the Suppression of the Communist Rebellion" and drew up a set of "Temporary Provisions" that overruled a democratic Constitution. These provisions give the president wide ranging emergency powers and have frozen all mainland-elected members of parliament in office until the mainland is recovered and new elections can be held. Peking, meanwhile, still vows regularly to "liberate" Taiwan, by force if necessary.

Thus for 41 years Taiwan



Opposition members protest outside the National Assembly.

has lived under constant (and real) communist threat, and under the illusion that the glorious counter-attack would soon be launched.

This meant centralised authoritarian rule under martial law for 38 years, no legal opposition parties for 40 years, and increasing international isolation as foreign governments acknowledged that mainland China was not under Taipei's control.

In recent years, however, the tri-cameral congress has seemed to behave like an incompetent crowd of gerontocrats, with young local blood only being injected when a senior mainland member died or retired. Taiwan-elected members, including a small but rude and noisy opposition, are still well outnumbered in parliament and the National Assembly, which elects the president.

The truncated democracy in Taiwan, and the island's relations with China are thus two sides of the same coin. Pressure for a complete overhaul of the system has become intense since per capita GNP began to soar in the 1980's, and restrictions on travel to China were

progressively lifted. Taiwanese are now the biggest investors in China (despite Taipei's ban), and they account for at least a quarter of foreign tourists.

President Lee has called the upcoming national emergency conference "an event of huge historical significance." But he has already made the most stunning reform by deciding that the Communists are no longer rebels, and that the communist regime is the government of mainland China.

Just before his election in March, Mr Lee was to be seen on television assuring aged members of the National Assembly that the mainland would definitely be recovered. Six weeks later the entire sham was laid to rest when in his first post-election press conference Mr Lee even referred to China as "The People's Republic".

A mass of related laws and regulations must be revised before the Period of Communist Rebellion can be officially declared over and the Peking regime recognised. Mr Lee said it would be done within a year. The Temporary Provisions can then be abolished, and with them the life tenure of

hundreds of aged congressmen who still claim to represent constituencies from one end of the Great Wall to the other. The main points of debate in the conference will be whether to adopt a cabinet or presidential system of government, and how that government should deal with Peking.

So far, a "Taiwan Basic Law" similar to that for Hong Kong, and about three draft Constitutions have been proposed by various groups.

The DPP has come out in favour of a presidential system, with the president being elected directly by the people (instead of by the National Assembly). A reduced parliament would be equal to the President, and cabinet ministers would answer to them both.

There would also be an apolitical judiciary of equal status to parliament. The government would pursue peaceful relations with Peking on the basis of equality, an idea that Lee Teng-hui now espouses, but which Peking has flatly rejected.

The young reformist faction in the KMT has drawn up a Constitution that is remarkably similar. KMT hardliners who still dream of recovering mainland China are opposed to changing the Constitution at all, and some have even suggested returning to martial law to stop the current breakdown in social order.

At the other extreme the DPP's radical New Tide Faction favours changing the country's name from Republic of China to Republic of Taiwan, thus declaring independence. Peking repeatedly states that it will retake Taiwan by force if any such declaration is made.

Whatever system is adopted, it will surely be a more democratic and representative regime. The upshot of that may be a kind of amnesia and national identity that the Taiwanese have always lacked.

A secretary who works at Electrofax in Taipei reflected a common kind of confused patriotism when she said: "I was always taught to think I was Chinese, not Taiwanese, but recently I've become really confused."

Asked whether Taiwan is a country or a province of China, she thought for a long time and said, "It's a place."

## India and Pakistan to meet in July over Kashmir

PAKISTAN has proposed to India that talks on the disputed state of Kashmir be held in the Pakistani capital of Islamabad during the second week of July, a Foreign Ministry official said yesterday. Reuter reports from Islamabad.

The official confirmed a local newspaper report that Foreign Secretary Tanvir Ahmad Khan had telephoned his Indian counterpart to suggest they hold the talks after the Moslem feast of sacrifice on July 4. India has confirmed that talks will go ahead.

Pakistan proposed the meeting on June 7 in an effort to mend relations after New Delhi accused Islamabad of arming and training Moslem militants fighting for Kashmir's independence. Pakistan denies the charge. The talks will encompass all aspects of Indo-Pakistani relations, but will take Kashmir as the core issue, say diplomats in Islamabad.

Since independence in 1947, India and Pakistan have fought two of their three wars over Kashmir, one-third of which is under Pakistani control.

Tensions escalated rapidly in April when both India and Pakistan pushed troops closer to the border. New Delhi moved to cut tension in May by announcing it would pull back from the border of Rajasthan state.

Violence continues to boil in Kashmir, however, and many observers predict the fighting will spread over the next few weeks as summer weather in the Himalayas permits militants to stage a new offensive.

Hospital workers and human-rights groups in Indian Kashmir say at least 700 people, including militants, security force personnel and unarmed demonstrators have died in fighting this year.

● Pakistan named a former Foreign Ministry chief as its new ambassador to India on Monday in a bid to ease tensions with New Delhi.

The Foreign Ministry said Abdul Sattar, Foreign Secretary during 1986-88 and currently Pakistan's ambassador to Moscow, would become high commissioner in New Delhi.

RICHARD O'BRIEN'S

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## INTERNATIONAL NEWS

## Intellectual protected by an international reputation

Peter Ellingsen profiles Fang Lizhi, the Chinese dissident allowed to leave the country for London

Nicknamed "China's Sakharov", Professor Fang Lizhi has long been China's most effective, and for Peking troublesome, critic.

Decades before the generation of students educated in the Open Door era launched their attacks on authority, Fang had constructed a withering critique of Marxism, and called into question the foibles of the regime. His was at times a lone crusade, made possible, like that of his Russian counterpart, the late Andrei Sakharov, by an international reputation.

A celebrated scientist like Sakharov, Fang has demonstrated an irrepressible interest in injustice and the courage to speak his mind. Voluble and at times cheeky, he has tracked the distortions of communism in China for more than 30 years, managing, unlike the majority of Chinese intellectuals, not to be cowed into silence by the terror of the Cultural Revolution and threat of reprisals.

The son of a postal clerk from coastal Hangzhou, Fang, 54, has been a thorn in the side of the party since his days at Peking University.

A letter he wrote to an academic during Mao's blustery Hundred Flowers Movement in the mid-1950s led to his expulsion from the Communist Party in the "anti-rightist" purge of 1957. During the even more vicious Cultural Revolution a decade later, he was again denounced as a rightist and though avoiding jail, was kept a year in a cowshed.

He was pursuing a long Chinese tradition of intellectuals by becoming



Fang Lizhi, with his wife Lu Shuxian: irrepressible interest in injustice and the courage to speak his mind

the nation's conscience, in effect drawing attention to the emperor's clothing.

Being among the first to denounce Marxism in China openly was not conducive to an easy life, and Fang, despite being rehabilitated with the fall of the Gang of Four in 1978, and becoming China's youngest full professor soon after, was regularly in and

out of trouble, suffering continual personal harassment.

He was a radical figure during Deng Xiaoping's 10 years of "reform", tolerated for a time but eventually penalised. In 1987, during the student protests that preceded last year's massive democracy movement, Fang, then vice-president of Keda University in central Hefei, was accused of spread-

ing western notions, or "bourgeois liberalism", sacked and, along with the journalist Liu Binyan and writer Wang Ruowang, expelled from the party.

But still Fang, along with some courageous thinkers kept in prison, refused to toe the line. He travelled widely, including to Australia, where in a stinging denunciation he

suggested that some Chinese leaders maintained overseas bank accounts. This outraged the ageing ruler in Peking, Deng Xiaoping, who appeared to take it personally.

By the time he had reached Hong Kong, Fang had the heart of Deng's power and reputation in his sights. China would not be able to modernise if it didn't "break the shackles of Maoist and Stalinist-style socialism", he told a receptive audience.

Back in China, Deng's dislike for him was palpable. He told a party meeting: "Fang Lizhi has been indulging in mud-slinging and spreading slander without any basis and we should take legal action against him."

After that broadside, Fang was persona non grata, unable to have articles published, leave the country or find any official response to a spirited demand that China release its political prisoners, notably Wei Jingsheng, a leader of the 1976 Democracy Wall Movement who was jailed for 15 years for passing state secrets.

The strategy seemed to be to quarantine Fang, a plan that turned into force when police blocked Fang and his wife from accepting a US embassy invitation to attend a banquet hosted by visiting US President George Bush.

In an interview shortly before that, at a house in offer financing, he addressed the question, "what does the ruling party stand for?" He chuckled, aware that waiters in the restaurant where he was speaking would have to account for the exchange.

"Themselves," he said, without lowering his voice.

## Taipei plan to reform stock market

By Peter Wickenden in Taipei

TAIWAN'S Finance Minister, Mr Wang Chien-shien, yesterday announced a series of measures including allowing greater foreign investment, to revive and stabilise the Taipei stock market.

The Taipei index has fallen more than 55 per cent in five months. Under-sized and over-capitalised, the market is plagued by short-term individual speculation, insider trading and manipulation.

Foreign investment is only permitted indirectly through four offshore mutual funds.

On assuming office recently, Mr Wang said he would try to bring order to the market and crack down on insider trading.

He said yesterday that the first priority was to revise regulations governing institutional investment, and increase the proportion of institutional participation in the market. It is at present dominated by unsophisticated individual investors.

He said he favoured initially limiting the amount that foreigners can invest directly, and increasing it only after the market becomes "normal and stable".

Only one securities house out of more than 300 can now legally offer margin loans. This monopoly is to be ended by allowing integrated securities houses to offer financing. Most houses now offer margin loans illegally.

The size of the four existing domestic mutual funds will be increased and the government will allow new funds to be launched.

Share issues by several state-run enterprises will be delayed until the market recovers.

The development of the small over-the-counter and bond markets will be accelerated to ease the concentration of capital in the Taipei.

Restrictions on the establishment of new financial institutions will be lifted as fast as the development of local expertise allows, said Mr Wang. He saw no reason to lower the current 0.6 per cent stock transaction tax just because the market had fallen.

## Piaggio in scooter talks with LML of India

By Haig Simonian in Milan and David Housego in New Delhi

PIAGGIO, the Italian engineering group best known for its Vespa scooters, says it is in advanced negotiations with LML, the quoted Indian motor scooter maker, to develop the production of two- and three-wheeled vehicles in India for the domestic and international markets.

The news follows reports of talks between the Italian company, based in Pontedera, near Pisa, and Bajaj Auto, India's largest scooter maker. Piaggio denies that it was discussing shipping the bulk of its production to Bajaj's plants in India.

Bajaj yesterday reassured that discussions with Piaggio had taken place over the last 12 to 14 months, but in view of Piaggio's recent statement, said that it did not wish to comment further.

Piaggio, in the Indian market since 1960, is also considering raising its minority stake in LML. The Indian company has some 20-25 per cent of the domestic market in motor scooters, against 70 per cent for Bajaj. Raising its holding in LML would allow Piaggio to play an important role in the management and development of the company, the Italian group said.

According to Mr Gustavo Denegri, Piaggio's chairman and managing director, the huge Indian market "is of particular interest for the industrial and international strategy of the Piaggio group". Apart from its two- and three-wheeled motor vehicles, the group, which employs almost 9,000 workers, makes bicycles and a range of specialised engineering equipment.

Piaggio, sometimes mistakenly associated with the giant Fiat group but actually an independent and privately-owned company, is at present busy looking abroad. Last month, it completed talks with Daihatsu Motor of Japan on producing a light commercial vehicle in Italy which could be exported to other European markets.

## Philippines cabinet plans economic liberalisation

By Greg Hutchinson in Manila

A WIDE-RANGING package of liberalising economic reforms has been approved by the Philippines cabinet, which is becoming desperate to revive the moribund economy, now the sickest in South East Asia.

Saying it must be both bold and socially sensitive, the cabinet has agreed a package of price, trade, tariff, tax, and fiscal reforms which are intended both to resuscitate the economy and to reduce the extent to which rich and powerful businesses in the network of Filipino "cronies" have been able to monopolise industrial sectors and evade taxes.

President Corason Aquino has long pledged to open and reform the economy; she has just two years of her term left to implement the reforms.

However, a key factor in the new economic policy will be a downgrading of the importance of tight monetary policy. The cabinet has accepted that the planned expansion of the money supply could give a further "brief upwards boost" to inflation, already running at an annual rate of 13 per cent. With many Filipinos scraping a living on wages close to subsistence, the risk of social unrest resulting from further sharp price increases cannot be discounted.

Other important elements of the reforms include:



Aquino: two years left

- abolition of price controls on items such as cement to end within a year;
- a relaxation of foreign investment controls within two years;
- a shift of the taxation burden towards the more affluent;
- further deregulation of financial markets to stimulate competitiveness.

Not the least of Mrs Aquino's economic difficulties have been six failed coup attempts against her government, each of which has knocked foreign investor confidence and slowed the economy still further.

## Manila figures show fall in project investment

By Greg Hutchinson

THE continuing decay of infrastructure in the Philippines has been highlighted by official figures showing reduced growth in project investment in the first five months of this year.

Mr Tomas Alcantara, Trade and Industry under-secretary, blamed the country's electric power generation crisis and, to a lesser extent, perceptions of political instability since last December's week-long coup attempt for the slowdown.

The Board of Investments approved projects, mainly in manufacturing, worth pesos 43.3bn (£1.1bn), a rise of 8.6 per cent over the period from January to May last year when project investment soared by 26.6 per cent to pesos 39.6bn.

Mr Alcantara says the 1989 rise was from a very low base, but a comparison with neighbouring Indonesia and Thailand should give Manila no joy. For every one investment dollar flowing into the Philip-

pine, five are injected into Indonesia and 11 into Thailand.

Mr Alcantara said there were "crinkles" to iron out in negotiations with foreign contractors over increased power generation capacity. Metropolitan Manila still suffers daily power blackouts of up to four hours, although monsoon rains have broken a drought and resuscitated the country's hydro-electric power generation system.

A breakdown of the 1990 investment figures show that only 38.5 per cent of investments went to the metropolitan Manila area, the outlying regions taking the lion's share.

As of April 1, incentives for manufacturing ventures setting up in Manila have been scrapped, in an effort to redirect investments away from the traffic-choked and power-drained capital.

A year-long cement shortage has now eased with the importation of 6m 40kg bags of cement this month alone.

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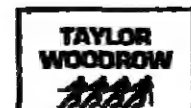
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## INTERNATIONAL NEWS

## Algeria offers collateral in bid for more lending

By Stephen Fidler, Euromarkets Correspondent

ALGERIA WILL consider the highly unusual step of providing collateral to encourage international banks to grant it new loans, according to a document from the Central Bank of Algeria to be presented to bankers today in London.

The document - which provides significant new details of the country's foreign debt profile - reiterates the Government's long-standing desire to reschedule foreign debt or use debt reduction operations such as those provided under the Brady Initiative. Algeria has secured new bank loans, despite its stated determination to avoid rescheduling, largely because of its high debt burden.

Rescheduling, it says, "would close the indebted country's access to international capital markets for a long period of time and deprives lenders of part of their claim against a country that has always been committed to meeting in full her international obligations".

Provisional estimates show medium- and long-term debt standing at \$23.6bn (\$13.7bn) at the end of last year. Short-term loans of less than one year maturity amount to \$1.7bn. However, the report points

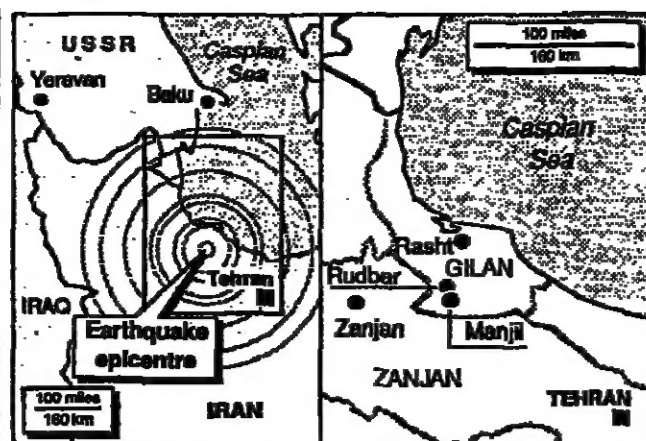
out that the maturity structure of the debt is "extremely unfavourable, particularly for the commercial debt". More than 70 per cent of the debt matures between 1990 and 1993, giving it an average maturity of 3.5 years. The central bank acknowledges that banks trading their short-term claims for longer-term ones "must be adequately rewarded".

Annual loans of \$2bn would reduce the debt service ratio, which now stands at 75 per cent, to 58 per cent in 1990-91, 36 per cent in 1991-2 and 24 per cent in the following year.

It, however, some of the proceeds of the loans would be used to purchase zero coupon bonds to provide collateral for bank lenders, it would borrow \$3bn annually and bring the debt service ratio down to 27 per cent in 1992-93.

It suggests that collateral could be provided equivalent to the level of provisions which international banks are required to hold against their Algerian loans - currently of the order of 29 per cent of the loans' face value.

The figures show the importance of the Algerian market in lending to Algeria, accounting for 57.5 per cent of the \$5.43bn in what the central bank calls financial credits.



## EARTHQUAKE LEAVES 2m HOMELESS AS RELIEF EFFORT BUILDS

SHELTER has become the priority in Iran, with an estimated 2m people left homeless by Thursday's earthquake, Kamran Fazel writes. The death toll in the northwest was still climbing and officials fear it may reach 75,000.

The Tehran University Geophysics Centre reported that 22 aftershocks, some as strong as 5.5 on the Richter scale, had hit the region in 24 hours, blocking roads and hampering relief operations in Gilan and Zanjan provinces. Iran, the official news agency said, mil-

itary helicopters were flying around the clock, particularly in remote areas.

The Iranian Mission to the United Nations appealed for more emergency aid. It said medicines and surgical equipment were badly needed.

Relief supplies continued to pour in with official hesitation over accepting outside help largely evaporating as the scale of the disaster sank in.

The international relief operation swelled, with neighbouring Soviet Azerbaijan, North Korea, Pakistan, Vene-

zuela, Bangladesh and Kuwait pledging to send medical help. Tehran Radio reported that at least 68 aircraft carrying aid had landed at Tehran's Mehrabad airport on Sunday.

Saudi Arabia, which cut diplomatic ties with Iran in 1988, sent the first of 40 transport planes loaded with earthquake relief aid.

However, differences remain in the Islamic leadership over relations with the west. The English-language Tehran Times, which is close to President Ali Akbar Hashemi Raf-

sanjani, said Iran should welcome all aid. It said government relief work had not been able to cope with the disaster.

But the hardline Jomhuri-ye Eslami launched a scathing attack on the US, accusing it of responsibility for the earthquake, and demanded that American aid should be rejected.

"Our people, even under the rubble, chant 'Death to America' and pray to almighty God to cut off the US hand... even those hands stretched to help," it said in an editorial.

## Iranian villagers try to mark the graves of loved ones

RUDBAR, a mass of small towns and villages around a lake south of the Caspian Sea, was once one of the most picturesque sights in Iran. It is now dead.

A Chinook helicopter taking foreign reporters to the north flew low over the hills along the borders of Zanjan and Gilan where the earthquake struck hardest last Thursday. Huge cracks on the earth's surface gripped up at us as we saw the devastation caused in just a few minutes.

In the town of Manjil 20,000 were killed and only 4,000 survived, according to a French military team there.

The first village we reached after landing near Rudbar was Khanabek-Bellah.

It had had a population of 11,000 people. Three days after the earth-

Kamran Fazel reports from a village near the centre of the earthquake where 8,000 have already been buried

quake, 8,000 had been buried: the task of digging mass graves continued.

The 300 people left alive were trying to convince soldiers and Revolutionary Guards doing their military service at least to bury their loved ones together, marking the graves with rock arrangements, fallen doors and even blankets fired by a few rocks.

At the village cemetery stones marking the "martyrs' graves of the Gulf War were cracked with their aluminium photo frames fallen or lop-

sided; dozens of people refused to leave the graves of their loved ones.

Mohammed Zafari, 58, was rocking his head: "I lost my dear wife 20 years ago and my son is all I had. I brought him up by myself. Alone, alone."

"I am a worker, a labourer, a nobody, but I wanted it all for my son. I got him through university. He was a gentleman. He was not like me. Look, he is here with my daughter-in-law and my three grand-

children. "It's all my fault: I asked him to come and see me. I was playing with beautiful Davoud, my four-year-old grandson. He pulled my hair and called me Baba, Baba. Now they are all gone, gone."

Hojatollah Karimi, a clergyman from Qom, Iran's religious capital, has

been put in charge of the area. When asked if this was another test of Allah for Iran, as Iran's spiritual leader, Ayatollah Khamenei, had said, he calmly answered: "As you can see for yourselves this calamity has once again unified the Iranians. There are people from all over the nation here."

The tragedy has destroyed hundreds of thousands of lives. The only living member of the Savoushi family, Zahra, was singing a lullaby over the make-shift grave of her husband and two children. She would not leave the place and refused to speak.

Zeynab Gohari, 30, said that despite all that had been done the higher villages had not been reached.

"There are thousands upon thousands of people buried there. There has been a great deal of aid but it's

not enough, as you can see. They are badly organised.

"There is not enough being done. The scale of the tragedy is far too great. Iran can not deal with it by itself. We need international help from all over. Please tell all about our ordeal. We need help and need it now." Zeynab kept following us, repeating her plea.

As night fell, people gathered around log fires in a huge olive grove to keep out the chill. There were a great many fires and the villagers kept silent.

Meanwhile the soldiers and the Revolutionary Guards were gathered by the roadside awaiting transport to their camps. There were no generators at Rudbar and when the sun disappeared the work stopped.

## Riots put Zambia reforms at risk

Just when the world's donors were daring optimism - now this, writes Mike Hall

RIOTING in Lusaka yesterday may well put at risk the implementation of Zambia's economic recovery programme just at the stage when international donors were expressing guarded optimism.

The decision last year by President Kenneth Kaunda's socialist-style government to embark on tough economic reforms had brought an encouraging response from two leading donors, now playing a crucial role.

The International Monetary Fund - to whom Zambia owes almost \$1bn in debt arrears and at one time seemed on the verge of expelling Zambia as a member - now has a strategy to deal with the problem.

And the World Bank, owed \$215m in overdue obligations, has begun detailed discussions on new aid disbursements, in co-operation with other leading western donors who froze aid when President Kaunda suspended an IMF-led adjustment programme in 1987.

Next month the Government is due to ask official creditors to ease its \$7bn debt burden, one of the highest in the world in relation to its gross domestic product.

West Germany has already cancelled its share of official debt of \$310m; the US has said it will do the same, although it is bound by legislation that forbids such assistance unless the country benefitting is undergoing conventional IMF-backed structural adjustment.

A rescheduling agreement with most creditors is likely. Donors have already pledged \$60m for the first year of the recovery plan, although most of this is conditional upon Zambia reaching rescheduling agreements and settling arrears due to the Bretton Woods institutions.

Sorting out the arrears problem is crucial to the success of Zambia's reforms, as it is now disqualified from receiving further loans from either the Bank or the Fund.

Last month the Fund's policy-making body agreed on an "accumulated rights" approach for countries in arrears. Zambia may be one of the first to benefit.

It means that as long as its reforms have the blessings of the IMF, Zambia will earn rights to draw on resources in the future. When these match its arrears the Government can obtain a bridging loan from commercial banks to pay off

the Fund.

Aid donors are also likely to club together to help pay off the arrears to the World Bank before the Fund's are cleared. This would allow the Bank to loan Zambia \$200-\$400m a year.

The critical question is how committed the Government is. There have been some startling and rapid moves on the part of President Kaunda. In March he defended one-party rule and state-control of the economy; in May he announced a referendum on a return to multi-party politics and plans partly to privatise state-run enterprises.

So far the Government has stuck to a broad timetable of reform laid out in its Policy Framework Paper published last year. The most recent measure, and the one which sparked the protests yesterday, was a doubling in the price of maize, the staple food.

An increase in 1988, though harsher, caused widespread rioting in copper mining towns and led to President Kaunda abandoning IMF-backed reforms a few months later.

Prices for all products, except maize, were decontrolled in June 1989 and this has put many goods back on the shelves. Severe controls on money supply were imposed to control inflation, which was running at 150 per cent. It appears to have had a marked effect.

A Canadian has been appointed governor of the Bank of Zambia - the first expatriate to hold the post since independence - an institution marred by scandal. Bankers say he has been allowed strong influence.

In February a dual exchange rate system was introduced. The kwacha was devalued from K16 to the dollar a year ago to K40 (although its worth is still inflated). It has curtailed imports and encouraged exports. Measures have also been put in place to enable strict control of government spending.

These tough reforms may alienate many Zambians and generate pressures that, in the lead-up to the referendum, the ruling party may well give in to. Old-guard socialists remain close to President Kaunda and diplomats do not rule out the possibility of another "policy coup". The rioting is certain to be a severe test of the President's commitment to his reform programme.

## Shamir's migrants plea

MR Yitzhak Shamir, the Israeli Prime Minister, has appealed to Soviet President Mikhail Gorbachev not to bow to Arab pressure and cut off the flow of Soviet Jewish immigrants to Israel. Reuters reports from New York.

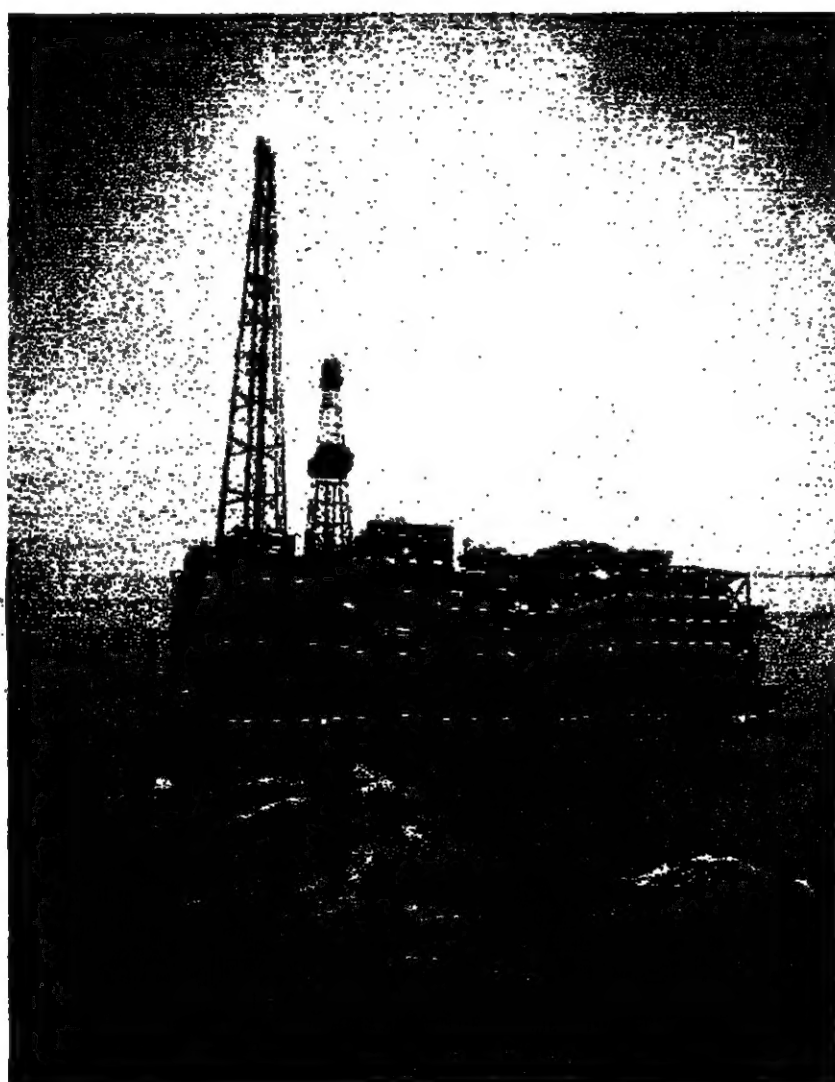
In a letter, a text of which was made available to Reuters by authoritative sources yesterday, Mr Shamir also personally assured Gorbachev that Israel does not have a policy of "directing" Soviet Jews to occupied Arab lands and only a handful of emigrants had in fact settled there.

Mr Gorbachev, in his summit with President George Bush in Washington earlier this month, raised the

prospects of cutting off Jewish immigration to Israel if the immigrants were settled in territories occupied by Israel in the 1967 Middle East war.

Arab nations have complained bitterly that Jewish immigrants could be used to overwhelm Palestinian inhabitants in the occupied territories, but Mr Shamir, in his letter, described that argument as a smoke-screen for Arab objection to any Jewish immigration to Israel.

In the letter dated May 29, Mr Shamir began by saying, "I take the liberty of an unusual measure in writing you concerning the Jews of the Soviet Union and their immigration to Israel."



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Photograph courtesy of British Steel Corporation.



## AMERICAN NEWS

## Damage to Amazon forest worse than feared

By Christina Lamb in Rio de Janeiro

THE deforestation of the Amazon rainforest is more extensive than previously admitted, according to figures released by the Brazilian Satellite Research Institute (INPE).

The institute says 8 per cent of the rainforest in the Amazon area, as defined by the Brazilian Government, has been destroyed, rather than the 5.6 per cent announced last April.

The data puts the total area of deforestation at 404,000 sq kms - a land mass almost the size of Sweden, or the equivalent

of burning a football pitch every two seconds for a year. The new total resulted from using more sophisticated satellite techniques and analysing parts of the forest not previously looked at in detail.

Dr Philip Fearnside, of the Brazilian Institute for Amazonian Studies, said the figures showed the situation was increasingly urgent, with serious implications for the greenhouse effect.

The figures are still lower than claims by some environmentalists that as much as 14

per cent of the 5m sq km forest has been destroyed.

"The Government is continuing to make the same errors as the previous Sarney administration," Dr Fearnside said. They were including the Serado savannah region within the total deforested area, without counting the damage done there.

"In fact, the real figure of original forest wiped out is between 11 and 12 per cent," he said.

Mr Jose Goldenberg, Minister for Science and Technology, told an environment con-

ference in Manaus yesterday that the Government estimate of deforestation through illegal burning for last year was 30,000 sq kms, compared to an average of 24,000 sq kms a year since 1978. Because of heavy rains this was less than the peak year in 1987.

He called on the industrialised world to help Brazil combat the problem through debt-environment swaps.

The Government of President Fernando Collor de Mello has committed itself to ending deforestation and has launched

a highly-publicised programme of sending in the army to protect the forest and blowing up air strips used by gold miners in the area inhabited by Yanomami Indians.

But Dr Fearnside complained that they had yet to tackle the underlying problem.

"They blew up only 12 out of 136 known air strips and five of these have been rebuilt. This has far less practical effect than actually destroying the motives for deforestation by, for example, introducing taxes on land speculation," he said.



Fernando Collor sent army to protect forest

## Meech Lake setback leaves Canadian markets unruffled

By Bernard Simon in Toronto

CANADA'S financial markets have shrugged off the collapse of the Meech Lake constitutional package and concern over growing nationalist sentiment in Quebec.

By midday yesterday, the Canadian dollar, domestic interest rates and the Toronto stock exchange were little changed from Friday's close.

The dollar initially lost about half a cent, but recovered to trade at 84.70 US cents by late morning. However, the record gap of more than 5.5 percentage points between short-term US and Canadian interest rates continues to reflect the risk premium demanded by investors for Canadian securities.

After earlier warnings about the damage a constitutional crisis would have on foreign investor confidence, both federal authorities and the Quebec government have gone out of their way in the past three days to assure investors that the death of the Meech Lake accord will have little impact on overall economic performance or policies.

Traders and financial advisers ascribed the markets' muted reaction to a realisation that Meech Lake was likely to die, and an expectation that Quebec's economic outlook is likely to "develop" in a "positive" way, indicating a possible weakening over the next year or two.

Mr Barry Davenport, senior vice president in Bank of Montreal's treasury group, said: "Everybody wants to let the issue cool off, at least for the summer months." Along with several other market-watchers, Mr Davenport forecast that Canadian markets would be dominated by economic rather than political events over the next few months.

Despite the failure of Meech Lake, Quebec has moved quickly to introduce some of the five provisions of the ill-fated accord designed to recognise the special status of the francophone province.

The government said it expected to sign an agreement with Ottawa later this week, giving it wider powers over immigrant selection. It also wants to negotiate greater jurisdiction over training and communications.

A Quebec cabinet minister flew to New York yesterday to reassure US investors about the political future of the province, and another senior minister is due to meet senior members of the local business community today.

A rally to commemorate St Jean-Baptiste Day, Quebec's national holiday, was due to take place in Montreal yesterday afternoon for the first time in 21 years. The rally was expected to be dominated by vociferous separatists calling for a quick move towards independence from Canada.

Standard & Poor's, the US credit rating agency, yesterday affirmed its ratings on Government of Canada and Quebec debt, but fired a warning shot over Quebec's economic outlook. It shifted Quebec's rating from "positive" to "developing", indicating a possible weakening over the next year or two.

The agency said that while it expected "no change" in the relationship between Quebec and Canada in the near term, ongoing discussions of constitutional reform could become increasingly divisive. Failure to make progress was likely to affect Quebec more than Canada as a whole.

## Panama in European aid drive

PANAMA is seeking aid from Europe, Japan, Taiwan and the US to pay off \$540m (£314m) in arrears owed to international financial institutions, according to Dr Ricardo Arias Calderón, the country's First Vice President, writes Robert Graham.

Mr Arias, who is in London on a European fund-raising tour, said yesterday such aid was essential to help normalise Panama's relations with the international financial community.

Although the Endarra Government in Panama was making progress in restoring economic stability in the wake of the December 1989 US invasion,

unpaid debts to international financial institutions (IFIs) remained a serious handicap, he said.

The nation's total foreign debt totalled almost \$60m when General Manuel Antonio Noriega, the military ruler, was seized by US forces.

Mr Arias said he hoped to obtain a total of \$130m from Europe, Japan and Taiwan. A further \$130m is being earmarked from the \$420m-worth of aid recently approved by the US Congress.

Another \$130m will come from funds accumulated from commercial payments into special accounts ordered by the US Government to prevent

them going to Gen Noriega, now awaiting trial in Florida. Such payments include dues from the Canal.

Panama will also be seeking a \$150m US Treasury bridging loan, according to Mr Arias. The country hopes to be able to convince aid donors by demonstrating a balanced budget. The disbandment of the 16,000-strong defence force has led to a cut in annual security spending from \$150m to \$80m.

In another move to win international confidence, the new Government is trying to clean up the banking system's image in relation to the illicit drugs trade.

## Mexico drew on stop-gap loan

MEXICO, faced with a dramatic fall in its foreign exchange reserves, contracted an unpublicised "bridging loan" of \$1.5bn (£750m) from the US in March, writes Richard Johns in Mexico City.

As the Government pursued its policy of reducing tariff barriers, gross reserves plummeted to about \$3.5bn three months ago, according to commercial bankers here.

The US Federal Reserve confirmed it had extended a credit of \$700m "under an existing reciprocal swap-line" and that the US Treasury had provided another \$800m under a special arrangement.

A spokesman for the Federal

Reserve said Mexico had availed itself of the full facility on March 28 but had repaid \$641m to the Federal Reserve and \$464m to the US Treasury by the end of April. It is unclear if the balance has since been repaid.

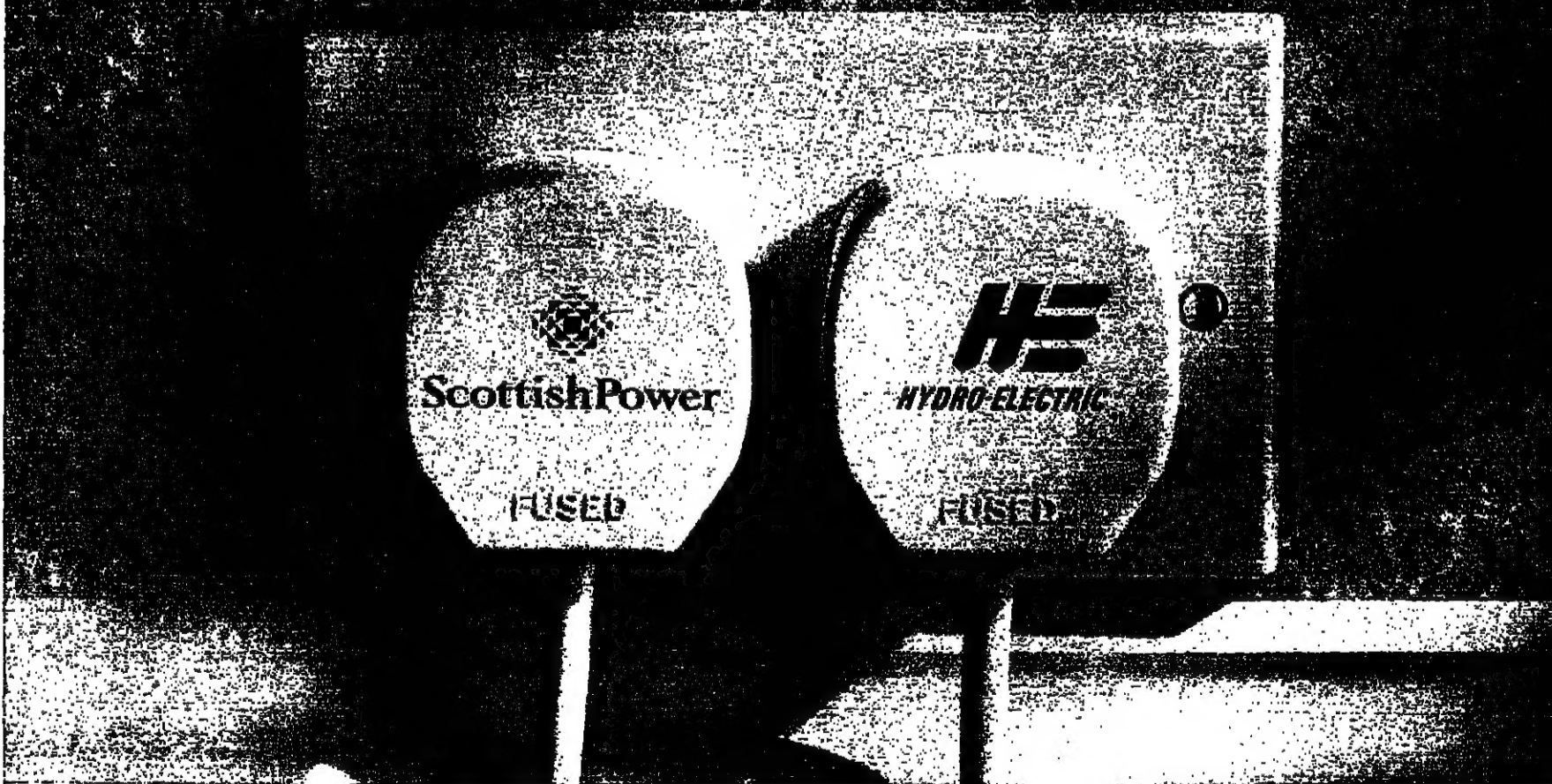
The funds were made available under an understanding accompanying the \$70m in financing required to provide credit support for the bank debt reduction accord concluded on March 28. The Bank of Mexico said the assistance had been requested as a stop-gap until money pledged by the IMF and the World Bank had been received.

Capital inflow into Mexico was stimulated by the conclusion of the debt deal and the subsequent announcement on May 2 by President Carlos Salinas Gortari's administration of a decision to privatise the banking system.

Since March, Mexico's foreign exchange reserves are generally believed by diplomatic observers here to have recovered to about \$6bn.

The gross amount published by the Bank of Mexico in its annual report for end-1989 was put at \$6.86bn. The figure included a part of the \$2bn bridging loan extended by the US and other governments last September, which was repaid in full on February 15.

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ScottishPower and Hydro-Electric, the two Scottish electricity companies, generate, distribute and sell electricity - all the way from the power station to the plug point.

In addition to both producing and supplying electricity we're quite distinct in other ways too.

We have the capacity to export electricity south of the border every day of every week. 52 weeks

a year. Yet still cater fully for Scotland's needs.

Our Scottish engineering and management skills are recognised throughout the industry and beyond.

And our diverse range of fuels - hydro, coal, gas, oil and access to nuclear - means that we are not reliant on any one source.

All things considered, at ScottishPower and Hydro-Electric, we have a great deal going for us.

As time will tell.

## Chile grapples with the ghosts of a grisly past

Leslie Crawford on the brutal legacy of Pinochet's 'dirty war'

THE victims of General Augusto Pinochet's "dirty war" are returning from the grave to haunt him. Three months after the dictator stepped down from power, human rights groups are revealing sites where the military carried out mass executions and burials in the months that followed the September 1978 coup.

Twenty corpses have been recovered from a mass grave near a prison in Chile's far north. At least four other alleged sites are being investigated by police, and human rights lawyers plan to disclose locations of more mass graves shortly.

The prison at Pisagua, an isolated fishing village 100 miles south of the Peruvian border, served as a political concentration camp after the coup. Hundreds of socialist and communist supporters of Dr Salvador Allende's Popular Unity government were imprisoned there.

Some were court-martialled and executed on the spot, but most were shot "while attempting to escape". The victims' families never received the bodies and were not told where they were buried.

Mrs Laura Soto, a Socialist senator and human rights lawyer, believes there may be as many as 400 "disappeared" buried in clandestine pits near the prison. Last week a fisherman from Pisagua revealed that scores of bodies had been chained to a railing on the seabed, about 80 metres from the shore. He had tried to draw attention to the discovery in 1977 and was jailed for his pains.

Scores of relatives of "missing" people have converged on the site of the excavations. Ten of the corpses claimed by their families were given a solemn burial in Iquique this month. Five ministers attended on behalf of President Patricio Aylwin.

The Government plans to build a mausoleum in honour of the Pisagua dead and those who are still missing. Another four bodies were buried in Valparaiso last week.

The bitter legacy being unearthed at Pisagua has shocked the country. The human rights violations committed under the former regime were well documented abroad, but in Chile a combination of censorship, official propaganda and fear conspired to conceal the truth from most of the population.

The Chilean Commission on Human Rights says it has documented 2,200 political executions and a further 900 cases of people who went missing after being detained by the military junta's security apparatus. Their numbers have been swollen by an avalanche of fresh revelations since the

restoration of democracy.

The prospect of a country-wide search for mass graves is as unsettling to President Aylwin's Government as it is to Chile's former military rulers. The delicate bargain struck between Mr Aylwin and the armed forces - to pay homage to the victims of the repression while limiting the scope of human rights investigations - may unravel if the clamour for justice becomes too strong.

The new civilian Government's overriding concern is to avoid provoking the army into staging another coup. But it has been unable to contain the tremendous pressure now mounting on Gen Pinochet, still its commander-in-chief, to acknowledge his personal responsibility for the bloodshed.

Every political party, with the sole exception of the extreme-right Union of Independent Democrats, has publicly called on the general to disclose the full truth surrounding the repression. Even former allies now appear to be deserting him, including Gen Horacio Toro, head of Chile's Investigations Police, and Admiral Jose Toribio Merino, former commander-in-chief of the navy and a member of the military junta.

Gen Pinochet is now a discredited, isolated figure, but he remains entrenched in the army command and unwilling to relinquish his last power base while the possibility of human rights trials threatens the army. Although he is immune from prosecution, he could be humiliated by being summoned before the courts to give evidence.

For the moment the army also feels sufficiently protected by a 1978 amnesty which effectively prevents any officer from being tried for the massacre at Pisagua.

Nevertheless, the national outcry over the discovery of mass graves compelled the army to deliver a long public statement justifying its actions in the aftermath of the coup. It said that military intervention had been a "difficult patriotic decision" backed by a majority of the population, at a time when economic collapse and political polarisation had brought the country to the brink of civil war.

The civilian government's measured response, calculated to avoid exacerbating tensions further, limited itself to saying it did not share the army's historical interpretation of events.

Mr Aylwin's centre-left coalition cannot repeal the 1978 amnesty law because it lacks a majority in the Senate, but human rights lawyers are preparing to challenge the legality of the amnesty before international courts.

John [unclear]



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Suppose you were to wake up tomorrow morning and find that you'd gone completely and irreversibly blind.

Suppose you were then told that your blindness could have been prevented, but for lack of cash.

How do you think you'd feel?

Exactly.

Yet that's the heartbreaking situation facing so many people of all ages in Britain today.

Despite the fact that this country leads the world in its treatment of blinding diseases.

Despite the fact that we're agonisingly close to major breakthroughs in the prevention and curing of such diseases.

There are still over a quarter of a million people registered blind or partially sighted in Britain.

And every day, another forty people swell this sad statistic.

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Well, with your help, an enormous amount.

Because in London, we're lucky enough to have two great institutions that have been in the forefront of the Fight For Sight for many years now.

Moorfields Eye Hospital on the City Road is world-famous for its success in the prevention and curing of blindness.

Every year, 300,000 out-patients are treated here and for many, Moorfields has been a last resort.

Surgical techniques that are now standard throughout the world were first pioneered here.

People whose blindness was once considered untreatable are now being given fresh hope by the new ideas and advances practised at Moorfields.

But where do these ideas come from?

Three miles away across London in Judd Street, a battered sign on a crumbling Victorian building identifies the home of the Institute of Ophthalmology. This is the research arm of Moorfields Hospital and it too is world-famous.

It was here that the connection was first made between excess oxygen at birth and the incidence of blindness in premature babies.

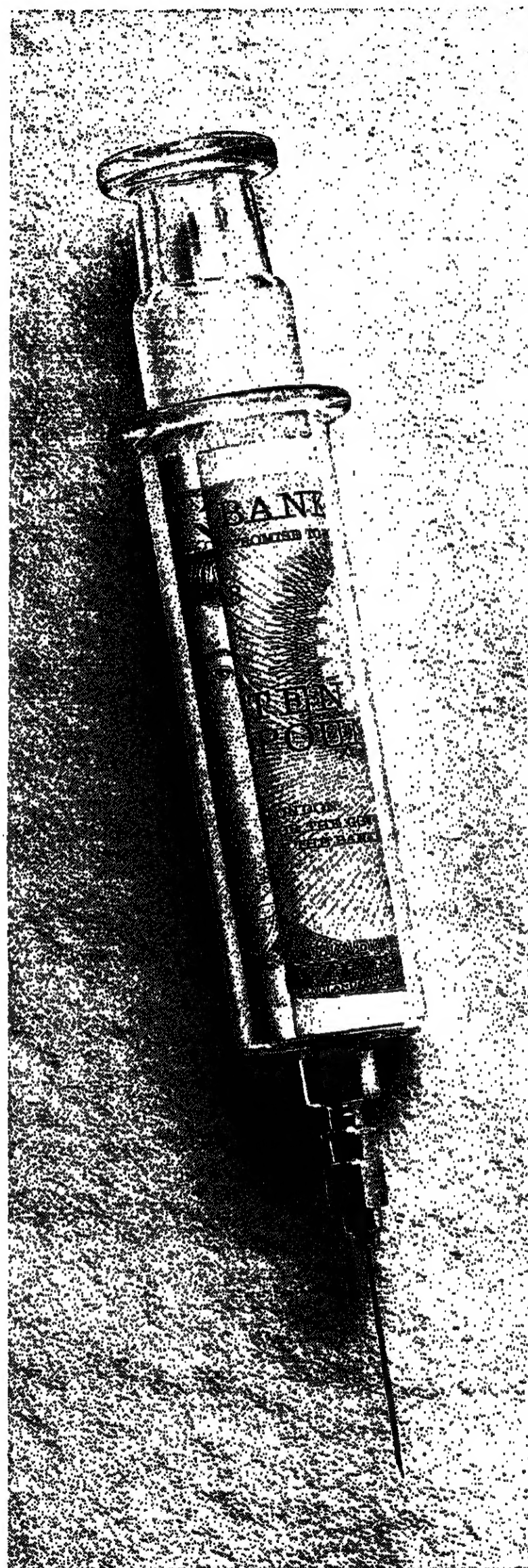
It was here that scientists discovered that the puppy dog worm, *toxocara canis*, was blinding young children.

It was here that the first diode 'suitcase' laser was invented, allowing laser treatment in the field.

It was here that the idea of implanting plastic lenses after cataract operations was pioneered, along with many other of the surgical techniques now used at Moorfields.

And it's here that the problem lies.

For if the building is Victorian, the conditions inside are Dickensian. Although the Institute



attracts the world's finest eye specialists, there's nowhere to put them.

So short of space are they, some researchers are using corridors as offices.

The equipment they have will soon be obsolete, the equipment they need, there's no money for.

The laboratory facilities are inadequate, the workshops basic, the study and lecture facilities virtually non-existent.

And to cap it all, there are three miles of

London traffic hindering the close liaison between the Institute and the hospital that's vital if more breakthroughs are to come.

That's why the Duke of York, our Patron, has recently launched The Fight For Sight Special Appeal.

We need to raise money, a lot of money, to re-house the Institute right next to Moorfields on a site that's already being prepared.

There we can build a research centre that can really get on with the task of preventing and curing blindness.

Where there'll be room for everyone to pursue their research, backed up by the most up-to-date equipment, the best trained technicians and, most important of all, the Institute and the hospital will be working side-by-side.

Something that will speed up the rate of advance immeasurably.

The cost of it all has been put at roughly £42 million. Of this, only a small part is actually for building. The rest is needed to fund new Chairs in Molecular Genetics, in Cell Biology, in Developmental Neurobiology and in Inherited Retinal Disorders.

To equip the laboratories, workshops, clinics and lecture rooms.

And, of course, to staff them.

It's a lot of money to raise.

Especially these days when there seem so many worthwhile causes around.

But if you'd ever seen the look of bewildered joy on the face of a three-year-old who's just seen his mother for the first time, you'd know there are few more worthwhile than this.

If you'd like to know how you can help The Fight For Sight Appeal, please send the coupon below.

If you'd like to contribute, just send your cash, however large or small the amount. (Barclaycard and Access holders can use our Credit Card Line on 071-383 0582.)

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If you'd like to know how you or your business can help The Fight For Sight, please complete the coupon (or attach your business card) and send to the address below.

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## UK NEWS

## Government rebuts critics who blame City for damaging British industry

### Short term pressure curbs ruled out

By Charles Leadbeater, Industrial Editor

MR NICHOLAS Ridley, the UK Trade and Industry secretary, yesterday ruled out significant Government measures to allay renewed concerns among industrialists that short term pressures from the City of London are damaging long term investment in innovation.

Mr Ridley, speaking at a conference organised by the Department of Trade and Industry and the Financial Times, delivered a blunt rebuttal to those who blamed the City's emphasis on short term returns for inadequate spending on research and development.

He acknowledged two areas of concern, however, the passivity of institutional shareholders and the limited flow of information between City analysts and manufacturers over long term plans.

Mr Ridley suggested companies should consider encouraging shareholders committees

among institutional investors, a strengthened role for non-executive directors and asked whether major shareholders should have a right to appoint a majority of board members.

He said he would consider suggestions in these areas, but ruled out some of the more ambitious proposals which have recently been made to curb hostile takeovers and use the tax system to encourage long term shareholdings.

The concerns voiced at the conference are reflected in the Confederation of British Industry's decision to re-examine relations between the City and industry, following its initial report three years ago. Next week the Institution of Mechanical Engineers will host a conference which will address many of the same themes.

The conference was organised by the DIT's Innovation Advi-

sory Board, which blamed City pressures to deliver short term financial returns, for the lower growth in investment in research and development in Britain, compared with its main competitors.

However Mr Ridley said it was simplistic to blame the City for the presumed prevalence of short term pressures. Although he said there were some aspects of the City's dealings with industry which concerned him much of the solution to short termism lay in the hands of management.

Mr Ridley said: "A degree of belief in City short termism exists in most company boardrooms. But I find such concerns hardly ever expressed by well managed companies more in command of where they are going."

He delivered a thinly veiled criticism of industry's record for research and development: "One can hardly blame invest-

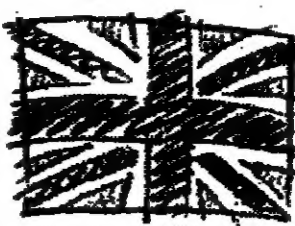
ors for being lukewarm if the likely returns on research and development look poor or have historically unexciting."

What mattered was not just the quantity of innovation, but high quality, innovation which was profitable because it met market needs, he said.

Mr Ridley ruled out action to protect managers by discouraging hostile takeovers. He said it would be a retrograde step to relax the discipline of an open takeover market. He doubted whether the Takeover Panel's disclosure rules needed to be re-examined.

Tax incentives to encourage long term shareholdings, had serious practical drawbacks, he said. Mr Ridley's analysis was generally supported by financiers speaking at the conference but it seemed at odds with some of the industrialists' claims that had drawn up the IAB's report.

## BRITAIN IN BRIEF



### Tarmac to link up with US concern

Tarmac, the UK construction company, has teamed up with Black and Veatch, a leading US power plant designer and builder, to enter the newly liberalising UK electricity market.

The joint venture, to be known as TBY Power, intends to bid for a full range of new power station business, including the building and operating of new stations.

Tarmac has not so far been involved in the running of power stations, while Black and Veatch has had almost no business in the UK until now. Black and Veatch, a Kansas City-based company, has helped to build more than 50,000 megawatts of power plant, mainly in the US and the Far East.

Mr Brian Staples, a director of Tarmac Construction, said the new operation would be willing to take an equity stake in and manage new power stations.

Mr Staples also said that TBY would pursue power station opportunities in Continental Europe, particularly in Spain and the newly liberalising eastern bloc, which he viewed as the countries most open to foreign companies at present.

### Hanson avoids TV market

Lord Hanson, chairman of Hanson, the international industrial group, has decided not to enter the UK commercial television market because he believes it is simply too unpredictable.

The former chairman of Trident Television, which controlled the news now covered by Yorkshire and Tyne Tees Television, was expected to be one of the leading new

players in the British broadcasting market when the franchises are put out to competitive tender next year.

The head of Hanson has looked at the 52 per cent of Thames Television now on offer but decided against trying to purchase it.

"The odds (against re-winning the franchise) are simply too great," Lord Hanson said yesterday.

"We have decided not to go further at this stage," said Lord Hanson who is concentrating his interests in broadcasting on commercial radio - and Melody Radio in particular.

Melody Radio, theme time Tendency which began test transmissions yesterday and which goes on air on July 9 24-hours a day exists because Lord Hanson could not find any of the "easy listening" he likes on the radio without also having to listen to the patter of presenters.



Lord Hanson

### Court ruling on herbal medicine

A High Court judge yesterday upheld the legality of a large rise in licensing fees for makers of alternative medicines based on natural products.

Representatives of Britain's 200m-a-year alternative medicines industry said many small companies would go out of business as a result.

Mr Justice Pill refused to quash new regulations introduced by the Department of Health which have increased by up to 600 per cent the fees medicines makers pay for registration of new products.

The court action was brought by the Natural Medicines Group and the British Herbal Medicines

Association. These represent about 30 makers of herbal and homeopathic medicines, which together sell some 4,000 licensed formulations.

### Tax action on pools companies

The Government has moved to make sure that pools companies do not suffer a tax disadvantage as a result of the reduction in the pools betting duty which came into force as a result of Lord Justice Taylor's report on the Hillsborough disaster.

A new clause was tabled to the Finance Bill yesterday to remove tax liabilities which would have arisen had the proposals been implemented in their original form.

The clause provides that the pools companies can have a deduction against taxable profits for the payments they make to the trustees of the Football Trust 1990 - the body set up to co-ordinate ground improvement in the wake of the Hillsborough disaster.

### US ambassador attacks Dinkins

The US Ambassador to London yesterday launched a two-day visit to Northern Ireland with an attack on New York City Mayor David Dinkins.

Ambassador Henry Catto criticised the recent decision to name a street corner in the city after convicted IRA killer Joseph Doherty.

"I think the city of New York made a dreadful mistake in giving support to a terrorist convicted in court of murder," Mr Catto said in Belfast.

The charges are that the Mayor of New York was not very well informed about what



Ambassador Catto

was going on." Doherty was convicted of the murder in Belfast of SAS Captain Herbert Westmacott in 1980.

### Oil boost for Occidental

Reserves in the Saltire field of the North Sea have been boosted by more than 30 per cent to 130m barrels, following the drilling of a successful appraisal well, Occidental Petroleum announced yesterday.

Occidental, Saltire's operator, has a 38.5 per cent stake in the field. Other stakes are held by Texaco (23.5 per cent), Lasso (20 per cent) and Union Texas (20 per cent).

### UK food industry 'risk'

One in eight food premises in England and Wales presents a high public health risk and one in 25 should be prosecuted or closed down, according to an extensive survey that provides a damaging indictment of many parts of the food industry.

The survey, organised by the Audit Commission, is the first authoritative survey of the levels of hygiene throughout the nation's eating places.

### Survey on theft at work

Younger workers tend to disapprove less of employees taking minor items from work for their own use, or using company telephones to make personal calls, according to a survey of attitudes to theft.

The poll of 1,800 workers presented yesterday to a Confederation of British Industry conference, found young people were less likely to disapprove of forms of workplace theft they thought were common.

### Writ served in RSI case

A former Reuters journalist, Mr Ralf Hinghal, yesterday became the first journalist in Britain to serve a writ and claim for damages for overuse injuries, often known as RSI or repetitive strain injury.

## AUTOMOTIVE INDUSTRY

### Nissan to buy more European components

By Kevin Dene, Motor Industry Correspondent

NISSAN Motor of Japan is increasing its expenditure on European automotive components for its UK car and engine plant to around £500m a year by 1992/93, an increase of a third from its previous estimates of £450m.

The company has brought forward its programme for sourcing components from European suppliers and is planning to launch both its new generation car ranges with a local content in excess of 80 per cent.

Nissan Motor Manufacturing (UK), the company's UK car assembly subsidiary and the first Japanese car plant in Europe, is planning to launch its Primera upper-medium sized car range in the autumn to replace the existing Bluebird range.

It will launch a replacement at Sunderland, north east England, for the Micra small car range, presently imported from Japan, in 1992. In its initial deal with the UK Government Nissan had agreed only to reach a 60 per cent local content level at launch, build-

ing later to 80 per cent. Mr Peter Hill, NMMUK purchasing director, said that components expenditure in Europe would total around £365m for the Primera range, which the company is planning to produce in a volume of more than 100,000 units a year.

This total would rise to £600m in 1992/93, when the Micra-class car is launched, again with a planned output of 100,000 cars a year.

Nissan, which began small scale car production in the UK at its Sunderland plant in 1986, will produce around 77,000 cars this year rising to 100,000 in 1991 and 200,000 in 1993.

The company said yesterday that it had more than doubled its number of European suppliers from 67 in 1986 to 177 this year, of which 139 are British.

UK components suppliers account for around 74 per cent of its purchases by value. It is seeking to limit its total number of European suppliers to around 200 by 1992/93 when both model ranges are in production.

Of its present suppliers

based in Europe only five are Japanese-owned companies - Calsonic, exhausts, heaters and radiators, Dunlop (SP) Tyres, part of Sumitomo, Hashimoto, rolled sections, extrusions and injection mouldings, NSK Europe, wheel bearings and steering columns, Mecobusa, a subsidiary of Nissan's Spanish operations, brake discs/drums and flywheels - while a further eight are joint ventures between Japanese and European companies.

In addition a further 25 of its European suppliers have technical agreements with Japanese suppliers. Nissan refused to reveal the value of its continuing components purchases from Japan.

The company had no plans to purchase gearboxes in Europe - the biggest single item still imported from Japan - as such a move could not be justified by presently planned European production volumes.

At the same time, unlike its rivals Toyota and Honda, it had no plan at present to begin purchasing several key engine components such as blocks, crankshafts and con rods from European suppliers. These would continue to be imported, ready machined, from Japan.

Nissan's present UK-built car, the Bluebird, has achieved only a 70 per cent local content, but for the Primera the company has moved to European suppliers for several important components including steel, British Steel and Solac of France which are producing under Japanese licences, brake systems, Lucas and Bendix, and engine management systems, Lucas and Bosch, and many chassis and suspension parts.

Nissan claims that it has achieved significant gains with European suppliers through the introduction of so-called supplier development teams, where Nissan engineers have spent time with selected companies in order to improve their efficiency and quality. It claims gains at some suppliers of more than 50 per cent in improved productivity, reduced factory space, and reduced inventories.



# CONSIDERATE SMOKING WORKS.

Smoking needn't mean friction, even when you share an office.

Non-smokers will appreciate simple acts of courtesy, like being asked if they mind you lighting up a cigarette.

Managers can help by ensuring that office ventilation works properly. And there

is an important contribution everyone can make: being tolerant of individual likes and dislikes.

In short, both smokers and non-smokers should try to see things from one another's point of view.

Smoking doesn't have to be a burning

issue in the workplace. Consideration on one side, and a little tolerance on the other, may be all that's needed to take the heat out of the argument.

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John Smith

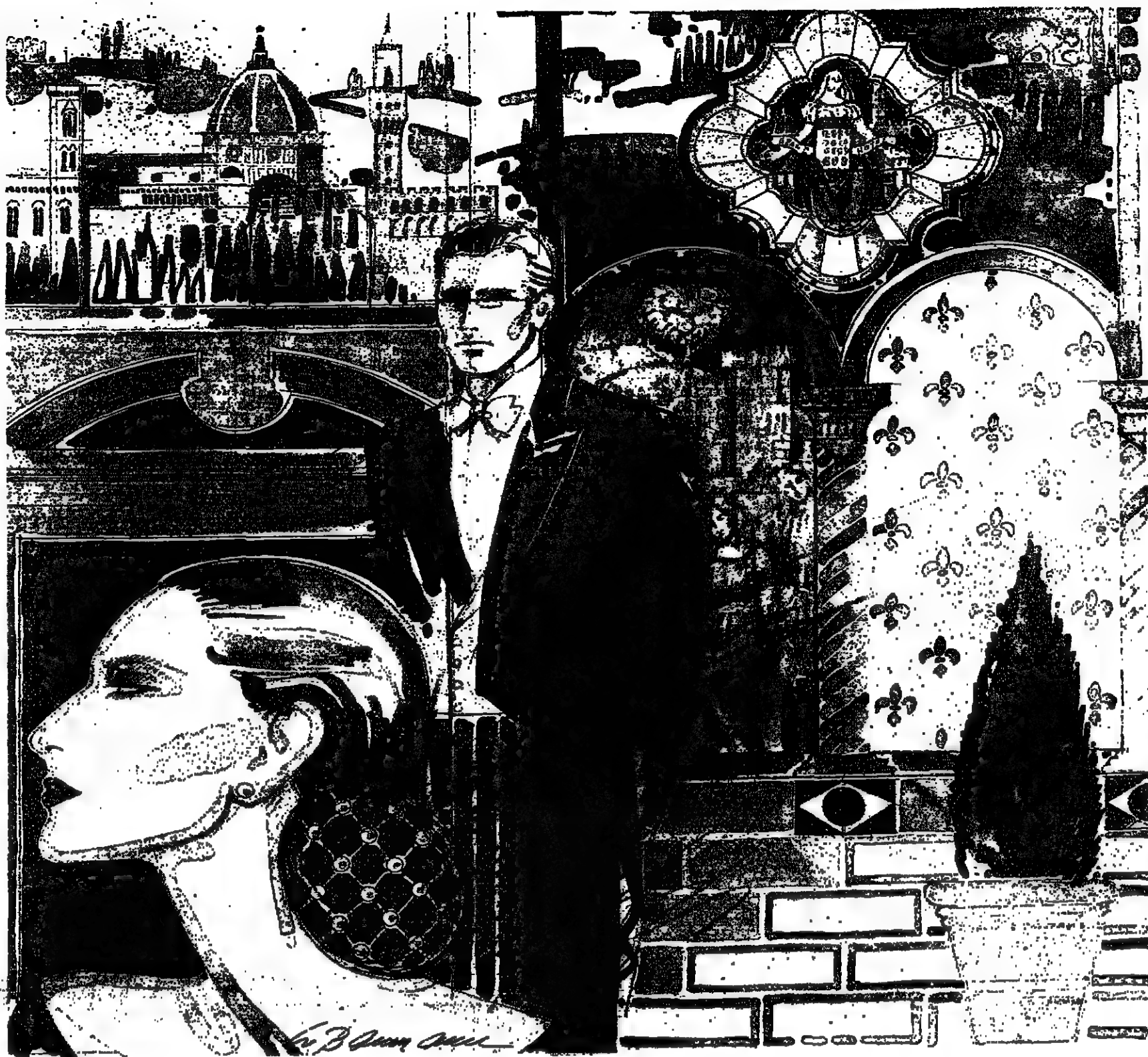


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*Evocative, lyrical, a landscape of pastel softness infused with joyous poetry. The ever-changing play of light on gently undulating hills; delicate brushstrokes of fragrant gorse and lavender. Gnarled pines, vines and olive trees. An unassuming haven of peace and harmony. Its mantle, the immensity of the radiant blue sky.*

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*Polished jewel of the Medici, imbued with refined nobility and beauty; austerity and luminous clarity tempered by a gentle, graceful elegance. Source of inspiration to Leonardo, Michelangelo, Raphael and Galileo. Loved and admired by Goethe and Stendhal. A paradise of narrow lanes, delightful cafés and bustling life. Spiced with the allure of seductive fashions and sparkling exuberance. A glorious pearl nestling in an enchanted land.*



## CULTURE

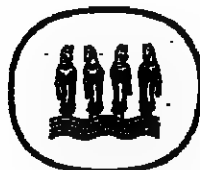
*Ageless glories of a golden past. Art and architecture to contemplate in wonder and awe. Vibrant, vigorous and serene: precious blossoming of a creativity deep-rooted in its native soil. Man's eternal quest for truth and beauty revealed as a celebration of the creation. An affirmation of life itself.*

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*Gathering place of the cream of Florentine society; second home to Arthur Rubinstein, Erich Maria Remarque, Charlie Chaplin and Orson Welles. Luxurious restaurant, bar and frescoed hall bathed in the warm radiance of period stained glass. Dinner by starlight above the ancient city roofs and the shimmering Arno. Superlative style and elegance, just moments away from some of the world's greatest art treasures and most exclusive shops and stores.*



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## UK NEWS

## Euro-lessons for all English schoolchildren

By Norma Cohen, Education Correspondent

EUROPEAN Awareness - the study of European languages, economics and culture - will be built into the National Curriculum to be studied by all English schoolchildren, said Mrs Edith Pagliacci, professional officer of the National Curriculum Council.

The topic will be woven into the study of other subjects, in the same manner that citizenship and environmental education have become required topics of study.

Mrs Pagliacci was speaking at a conference sponsored by the Department of Education and Science in which the results of a government-funded pilot project were unveiled. Over the past two years, 12 local education authorities have been experimenting with the introduction of European Awareness in their schools.

The DES report concluded that commitment to European Awareness in the National Curriculum is still ambiguous, its profile "is still uncertain and only intermittently visible."

And while there is considerable interest among local authorities about European Awareness, development of a common policy in schools may have some way to go, based on the DES summary.

## Europe struggles to meet the challenge of terrorism

Jimmy Burns and Kieran Cooke look at calls for a cross-border police force and a European central criminal court

THE announcement yesterday of a fatal accident inquiry into the Lockerbie air disaster has provoked fresh controversy over whether those responsible for the deaths of 270 people two and a half years ago will ever be brought to justice.

Hopes of an early breakthrough in the criminal investigation have proved premature. Instead, cries of "cover-up" by relatives of the victims continue in the face of the Government's failure to respond adequately to allegations of crucial organisational failures which may have contributed to the disaster.

The Boeing 747 bound for New York crashed in the town of Lockerbie, Scotland, in December 1988 after a bomb exploded. Police believe the bomb was planted inside a radio cassette player while the aircraft was being loaded in Frankfurt, West Germany.

Scottish police, who have co-ordinated an international investigation, and US officials say there is too little evidence so far for a prosecution for the attack.

In the background is a wider debate over the extent to which the co-ordination of the various intelligence and police agencies is managing to keep pace with the increasingly sophisticated tactics adopted by international terrorism.

Last week the arrest of four alleged members of an IRA "active service unit" on the border of the Netherlands and Belgium was described by Mr Tom King, the Defence Secretary, as a breakthrough in the fight against international terrorism.

But the reality, as British and European security officials admit, is that the arrests were the product of luck rather than of intelligence. This underlines the shortcomings rather than the achievements of international counter-terrorism.

Within Europe a network of intelligence services built up in the Cold War years to spy on the Warsaw Pact - including units within the British army and MI6, the overseas security service - also share information on terrorism and co-ordinate with the mainland.

Yet until this week, the four suspects had apparently managed to roam around Europe without the police forces of the Netherlands, West Germany, or Belgium knowing of their presence.

Dutch security officials said co-operation in intelligence-gathering on IRA activities had not been stepped up recently between intelligence services in the Netherlands, Belgium, West Germany and Britain.

Instead the pattern emerging is of a series of blunders which were only saved from turning



The wreckage of PA 103 at Lockerbie, destroyed by a terrorist bomb in December 1988

into a disaster because a Belgian farmer and his son happened to hear two of the suspects engaged in target practice in a wood.

European co-operation in the fight against terrorism has its contemporary roots in a 1976 agreement, in which Community countries agreed to co-operate on training and to set up police liaison offices to enable the quick exchange of information.

The European liaison section of Special Branch operates out of New Scotland Yard in London.

It was described by one senior officer this week as the operational "eye of the needle" in counter-terrorist action against the IRA.

Yet as the same officer admitted, the liaison offices are part of a complex web of Europe's police and intelligence services, whose effectiveness can still be undermined by internal rivalries and political and cultural differences.

Over the last two years, the Lockerbie disaster and the killing of IRA suspects in Gibraltar have brought to the surface

tensions involving European and US intelligence services.

British reports, apparently encouraged by UK intelligence sources, have been critical of the way the West Germans released 15 of 17 Palestinians eight weeks before the Lockerbie bombing. Those released included Marwan Khreizat, one of the main early suspects for making the bomb which destroyed Pan Am flight 103.

It was later alleged - by the British - that the Bundeskriminalamt (BKA), West Germany's criminal investigation

office, was responsible for major obstructions in the Lockerbie investigation.

The West Germans for their part have raised questions about whether the fatal bomb was loaded at Frankfurt or at Heathrow. And the US has criticised the Swedes for their handling of the case of four Palestinians allegedly connected with bombing El Al offices and synagogues in Europe in 1985-86 and believed to be linked to Lockerbie.

Difficulties over extradition meanwhile have sometimes escalated into public verbal confrontations between governments, and provoked increasing frustration among experts charged with the unenviable task of seeking more effective ways of countering terrorism.

Professor Paul Wilkinson, a director of London's Research Institute for the Study of Conflict and Terrorism, says: "Every country has dragged its feet on the extradition issue. While this system continues, we are never going to be able to face terrorism with the certainty of justice."

Prof Wilkinson is calling for the creation of a European criminal court with special powers to deal quickly with suspected terrorists and of a European anti-terrorist squad capable of operating across federal boundaries in the manner

of the FBI. These ideas have won little support in the UK. For instance, Deputy Assistant Commissioner John Howley, charged with European affairs for the Metropolitan Police, said last week that a European court and police force would "lead to greater costs and run the risk of creating a bureaucratic stranglehold."

But some continental police chiefs see this lack of centralisation as unhelpful in securing greater international co-operation and point to the pivotal role in the fight against terrorism played by West Germany's BKA criminal police HQ in Weisbaden.

As both the Irish police and the RUC have discovered, co-operation, in order to be effective, cannot be limited to policing activities. In the view of commentators like Prof Wilkinson, state intelligence services need to stop playing cat and mouse with each other and pool information.

Despite the public hype, European countries appear to be some way away from developing the degree of trust in each other's police and judicial system necessary to ensure a more effective offensive against terrorism.

Additional reporting by Ron van de Brak in Amsterdam, William Dawkins in Paris, and Lucy Kellaway in Brussels.

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**SAS**

## Editors voice concern at new report on privacy

By Raymond Snoddy

MR ANDREAS Whittam Smith, editor of The Independent, will today tell the National Publishers Association of serious concerns felt by national newspaper editors over some aspects of the Calcutt report on privacy and the press.

The report published on Thursday recommended the abolition of the Press Council and its replacement by a Press Complaints Commission, which would be turned into a statutory body if self-regulation failed to work.

Calcutt also recommended the creation of new criminal offences to prevent physical intrusion into private life.

The committee also recommended financial penalties to deal with intrusion on to private property by the press.

The editors of Britain's national newspapers met yesterday to work out their first response to the findings of the Committee which some of



Andreas Whittam-Smith

them see as a threat to press freedom and others support as a necessary way of curbing press abuses.

The main concerns expressed by the national editors involved the dangers of a statutory tribunal being imposed on the press and the proposed new criminal offences which were accepted, in principle last week by Mr David Waddington, the Home Secretary.

There was also unease about definitions of privacy and the detailed code of practice suggested by the Calcutt Committee.

It was clear however from the meeting of national editors that there is no desire to stage outright opposition to the Calcutt Report.

Instead the emphasis will be placed on trying to "improve" the recommendations and make them more workable.

There also seems to be little support for trying to preserve the Press Council, the complaints body funded by the newspaper industry.

The Council is seen as a "fox that has already been shot". The Press Council will also meet today to review its future in the light of the Calcutt recommendation for its disbandment.

It is not clear whether Mr Louis Blom-Cooper, the Press Council chairman, may be appointed to chair the new Press Complaints Commission.

But Mr David Meller, the Home Office minister said last week he certainly didn't rule out Mr Blom-Cooper for the job.



John Redwood: sees a new role for the City of London

## East Europe to 'look to London' for new capital

By John Lloyd

THE City of London is likely to become "the greatest intermediary centre" for the provision of capital to the developing democracies of Central and Eastern Europe, Mr John Redwood, a junior Trade and Industry Minister, said yesterday.

Speaking at a London conference, he denied charges that UK business was lagging behind that of other western countries in moving into east European markets. He said Britain was second among EC countries in the number of joint ventures concluded in Poland and Hungary.

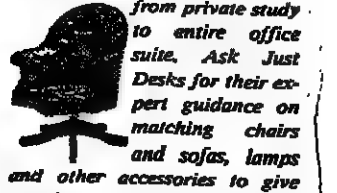
To ease anxieties that trade with these countries would be unrewarding in hard currency terms, Mr Redwood said many east European enterprises had hard currency funds.

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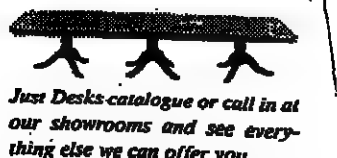
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## TECHNOLOGY

## Seeds of a bumper harvest

David Fishlock looks at a plan to make crops available for purposes other than food

Could the whole of a crop – seed, leaf, stem, even stubble – become the feedstock for a refinery of the future, to be separated like oil into several commercially useful streams as feedstocks for many different industries?

Such a concept underlies the first Link research programme (see below) to be led by the Agricultural and Food Research Council (AFRC). Its target is to make commercially useful crops available for purposes other than food. The project is being launched publicly as a 5m five-year programme at Britain's Royal Show next month.

The idea began with an AFRC calculation that Britain could produce all the food it needs from 70 per cent of the land now available for agriculture, leaving 30 per cent to grow crops for other purposes. Today Britain imports plant fibre worth \$200m a year and plant protein for animal feed worth another \$25m.

Other incentives include opportunities for modifying crop genes to enhance the production of specific substances such as high-value oils. The ban on straw burning from 1992 affords another kind of inducement for using more of a crop's constituent parts.

The Link research programme focuses on problems which currently hinder this goal. Nine academic teams are participating in the project, at a cost of \$3.1m to the AFRC. Industry is expected to match this figure. So far, 18 companies have pledged support in principle, although specific projects have still to be agreed. Most of the research is expected to take place in universities and research institutes, but some companies want to contribute in-house research rather than cash.

LINK is a scheme for accelerating the exploitation of Government-funded research. Half the money for the scheme comes from Government with commercial sources providing the rest. The Link programme was announced by Margaret Thatcher in December 1986. So far it has launched 65 projects and is considering

Plant fibres have tremendous potential as reinforcement for composite materials, believes James Bolton, head of the Biocomposites Centre of the University of Wales at Bangor. "Some quite elegant structures developed by plants have apparently been ignored by man." His team was set up with help from the Welsh Development Agency and is exploring a process designed to extract useful fibre from 80kg of plant material an hour.

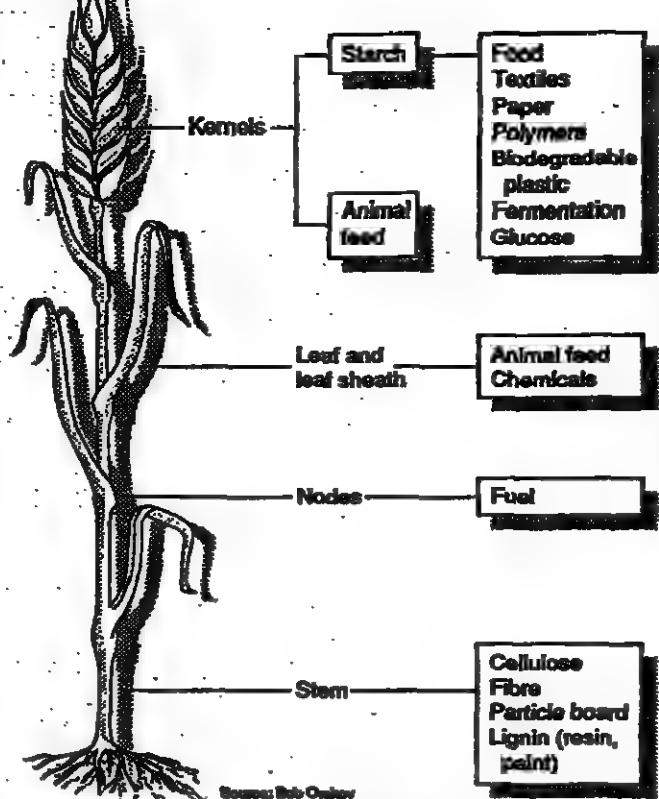
Bolton claims plant fibres show specific strengths of the same order as fibres of glass and carbon, but need cost as little as 8 per cent to 25 per cent as much. Examples include linen and sisal. Flax gave Britain's old white five-pence note its crispness. Sunflower is said to have stubble stiff enough to puncture a tyre.

In the past plant fibre has been hampered by its attraction for water, causing the fibre to swell and burst bonds with any matrix. Bolton's hopes are pinned on the idea of reacting fibre-cell walls with difunctional chemical reagents that could impart new surface properties, such as self-adhesion and rot-resistance.

Compak Systems, an engineering concern in Gainsborough, Lincolnshire, makes small production units for board pressed from fibrous materials, mainly for use in the developing world. Mike Barnes, its technical director, says the process can handle timber by-products such as wood shavings, sugar cane and straw, although straw is variable in structure.

His company is willing to help fund the Link programme to help fund the Link programme in the hope of understanding why, for example, straw's bending strength can be 15 per cent lower when harvested in the second half of the year, compared with the first. He is

## Potential industrial uses for a whole plant



also interested in using more specific straw fractions. UMS, a Danish company, has shown it can make better board by using the internode fraction, but the separation is energy intensive at present, he says. AFRC Engineering Research, at Silsoe near Bedford, is the UK's national centre for agricultural engineering. Andy Knight, a senior scientist, is running a project concerned with the changes in plant fibre during storage. Some industries believe storage improves the properties they are seeking

while others say it can damage the material.

Knight is also studying the mechanical bonding between the component parts of a plant, in the hope of simplifying their separation for a commercial fractionating operation. Separation of leaves from stems, removal of internode fractions from straw, and the grading of fibres from the pith of such plants as lined and locusts are some of his targets.

Farm animal development is another area where improvements have been carried out

through plant breeding. Bob Orlov, a senior nutrition scientist with the Rowett Research Institute in Aberdeen, says that similar gains can be made elsewhere in crop utilisation. As animal feed, the leaf of a crop contains the most nutrients, for example, whereas the stem can be used for other purposes, he says.

He deplores the "immoral" burning and burying of crop wastes. The Link programme, he says, could correct anomalies in present farm practice and lead to a whole-crop refinery with a number of product streams ranging from premium animal feeds to fuel.

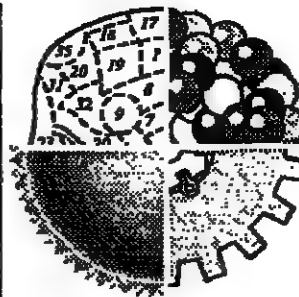
For Chris Rawlinson, a scientist with the AFRC Institute of Arable Crop Research at Rothamsted, Hertfordshire, the Link programme is particularly timely. It could help Britain overcome a world shortage of short-to-medium chain fatty acids, the basis of plant oils necessary for the manufacture of cosmetics, resins, detergents and soaps.

One way of tackling the deficit is to cultivate "exotic" crops such as coriander and euphorbia in the UK. Another is to produce the fatty acid required through genetic engineering of plants such as sunflower or oil seed rape.

According to Rawlinson, the technology is already available in Britain for transferring the gene to a plant in order to grow the required oil. This is the result of an earlier research programme called the "genetic tool-kit" mounted by the Department of Trade and Industry and involving several UK companies and universities. What remains is for scientists to identify the precise plant gene that needs to be modified by this "tool-kit", so that it makes, say, the fatty acid of optimum length for a highly priced cosmetic product.

relatively small financial contribution. And Link research can underpin an area in which the company considers itself expert, for a relatively small price.

A single company can engage with academics in a Link project, although the Link steering committee prefers to have two or three collaborating companies.

WORTH WATCHING  
by Della Bradshaw

## Grass is greener on ethanol's side

AS the hunt for "green" fuels continues, there is one very attractive candidate: grass.

Researchers at the Teagasc Research Centre in Ireland have been studying the feasibility of using Italian ryegrass as a means of powering cars.

The Irish technique involves extracting the juice from the grass – nearly 60 per cent by weight of wet grass can be extracted as juice. The sugar units are then broken down using a weak acid and heat, and then fermented with yeast to produce ethanol. Ethanol can be used in a modified car engine with about 80 per cent of the efficiency of a petrol engine, say the Irish researchers.

The grass material remaining once the juice has been extracted can be used as a feedstuff for animals or made into a briquette and burnt as a domestic fuel.

Appealing as the system seems, the researchers say the cost of producing ethanol – one hectare of grass produces just £100 worth of ethanol – makes it a fuel of the future rather than the present.

## Alarm rings on unstable bridge

A SYSTEM which warns when the stability of a bridge is threatened by scouring round its foundations has been developed by Hydraulic Research of Wallingford, writes Robin Burton.

The problem is particularly acute during heavy flooding, when the increased flow of water in the river can lead to the collapse of bridges. Unfortunately, flooding prevents divers from going down to inspect damage.

Video, sonar, and other high-tech methods are used

to monitor bridge uprights, or piers, but inevitably these methods tell when there is heavy flow and debris. The new design, therefore, uses omnidirectional sensors mounted on flexible "talls" at various levels on the pier under the sea bed.

The sensors are connected by cables passing through protective conduits to the surface. Under normal conditions of flow the sensors remain buried and do not move or make a noise. If a scour hole begins to develop the sensors will be progressively exposed and begin to oscillate in the flow, which sets off an alarm signal at the surface.

## Glasnost in the software market

THE cold war is melting in the software business, with the joint development by the Leningrad Institute of Informatics and Automation and Ashton-Tate Europe, part of the US software house, of a multi-purpose bilingual PC software package.

As well as Russian/English word processing, the package, a combination of Framework II and Informage-2, comprises spreadsheet, database, graphics and telecommunications software.

The combined package, available from SPINCS in Leningrad as well as Ashton-Tate's European offices, is intended for companies needing to write letters in both Russian and English. Users can select menus in either language, and Cyrillic and Latin alphabets can be combined in a single document. The package will cost £550.

## The fight for a friendly fungicide

KEEPING newly felled timber free from fungi has traditionally involved chemicals now deemed environmentally unfriendly – polychlorophenols, or PCPs.

But a Canadian company has hit upon the idea of using a substitute which is already in common use for sterilising surgical equipment in hospitals and cleaning swimming pools, and even appears as an ingredient in stampedes. Timbercote, as it is called, uses quaternary ammonium compounds to fight off the fungi, either on newly cut timber or on planks which have already been infected. The breakthrough in the treatment

has been the development of a bonding process using an inert latex to bond the different fungicides together.

The biodegradable treatment, developed by Napier International, of Vancouver, provides protection for a year from a host of different fungi.

## Videos on the big portable screen

EPSON, famous for its Seiko watches and its computer printers, is exploiting its expertise in liquid crystal display technology with a portable video projector which does not need technically trained staff to operate it.

The VP-100PS, as it is called, provides large-screen projection up to 12ft diagonal on to any neutral surface. It can take sound and full-colour pictures or graphics from video recorders or cameras, broadcast TV via a TV tuner, laser disc players and PCs.

Unlike most projection systems, the Epson machine has only one light beam – in red, green and blue. A series of mirrors reflects the three light sources on to a prism, which combines them to produce the single light source.

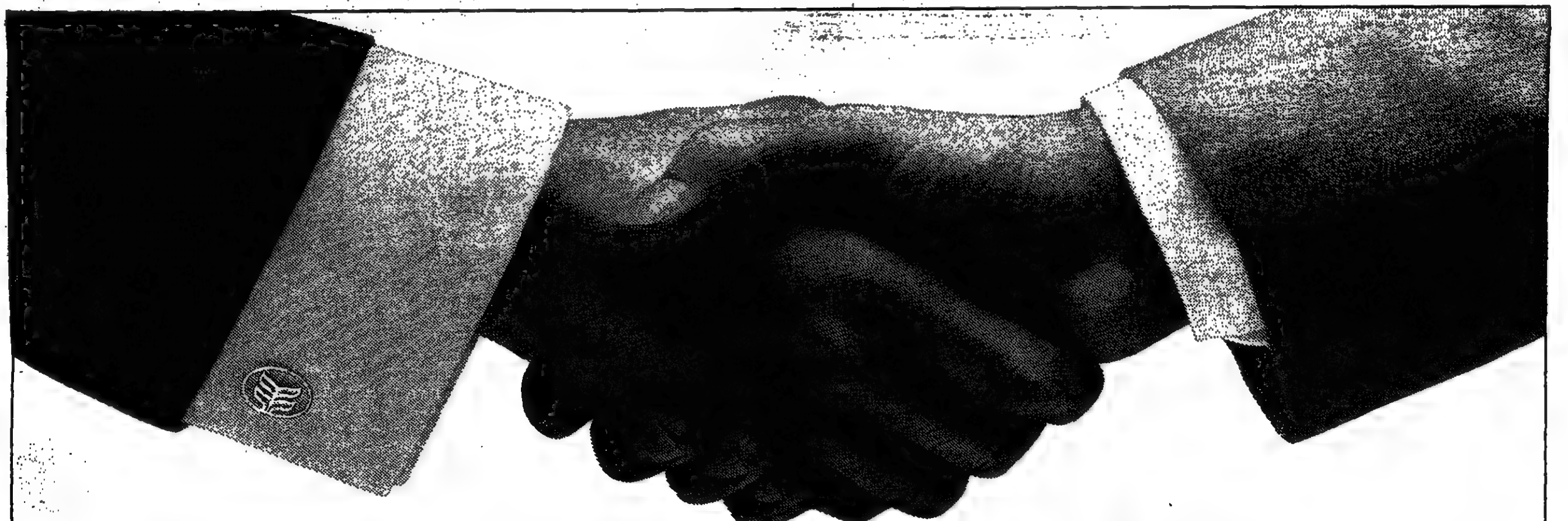
## Athlete's footage goes forward

AS THE athletics season begins the battle to achieve the fastest, highest and longest result is resumed for another year.

To help those involved the Salford College of Technology has developed a video and PC package which analyses movements to show athletes how to improve performance.

Video footage of the athlete in action is computed into matchstick figures, concentrating on the action of the joints to highlight strengths and weaknesses. The Biomechanics workstation is already being used in the college's paramedical training centre.

Contact: Teagasc Research Centre: Ireland, 053 42582. Hydraulic Research: UK, 0491 35381. SPINCS: USSR, 612 312 4208. Ashton-Tate: UK, 0753 272 02. Napier: Canada, 604 889 2290. Epson: Japan, 03 348 8801. UK, 0442 81144. Salford College of Technology: UK, 081 758 6541.



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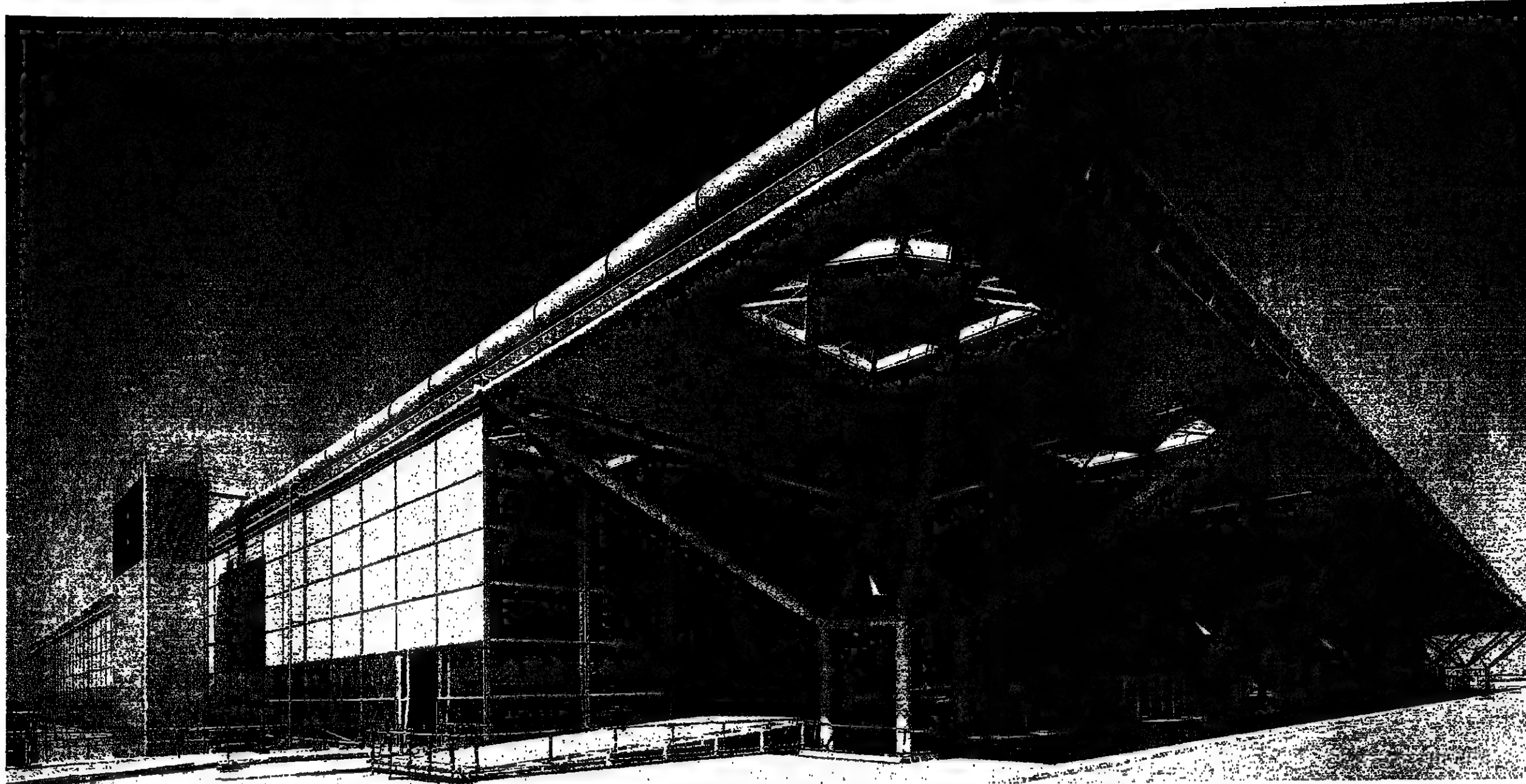
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*John Smith*



## MANAGEMENT: The Growing Business

## Computers in business

## The right program is found in the cards

Charles Batchelor on the best approaches to installing systems

Rod and Trevor Schragger could not imagine running their 26th anniversary greetings card business without a computer. Second Nature, which is based in West London, has a range of about 600 cards and a network of sales agents and representatives in Britain and the US operating a mind-bogglingly complex system of commission rates and discounts.

Six years ago, when the company employed just six people (it now has 68 employees) and sales were only £500,000, its administrative systems were already starting to break under the strain. Trevor, who had just joined the business his brother founded, set to work to devise a computer system which would meet its needs and cope with growth.

Second Nature now has a computer system which can provide sales information in the precise manner that the Schraggers want: calculate agents' commissions by agent, by product, by customer and by type of order; handle overseas orders in eight different currencies; and produce consolidated lists of invoices to achieve a substantial reduction in freight-handling charges.

None of these facilities would be remarkable on a big company's computer system, but for a business the size of Second Nature they are unusual if not unique, says Trevor Schragger. "It is the best system in use in our industry today," he asserts. It allows the Schraggers to carry out sophisticated financial and marketing planning and to provide customers with the sales information they expect from their suppliers.

But creating a computer system exactly tailored to Second Nature's needs was not easy. It required someone like Trevor Schragger, with a fascination

for computers, and 18 months of weekend and evening work to define Second Nature's exact requirements and turn these into a software programme.

Schragger was forced to adopt a do-it-yourself approach because no system was available off the shelf which met Second Nature's exact requirements. The price quoted by the large computer companies for developing such a system was around £250,000. Trevor Schragger says that doing it himself cost about £35,000.

Schragger's achievement is impressive, although he acknowledges the dangers of becoming obsessed with computers. "I was overpowered by the dream of putting a system together," he says. "I wouldn't recommend to a small company of our size to go out and write their own programme. If it had gone wrong there would have been no going back."

For those businesses which do not have someone like Schragger, introducing computers can be even more difficult. The initial cost of buying the hardware and the software may have fallen, but the real cost of getting it wrong, in time, money and business efficiency, is as high as ever.

In addition, as prices have dropped and suppliers' margins have been trimmed, the back-up that they are able to provide their customers has been cut back.

This may help explain why a quarter of the small firms contacted in a recent study had not bought any kind of computer-based technology in the previous five years, while many which had were not using their full potential (see table).

Many small firms were making only "rudimentary" use of computers because few owners/managers had any training or expertise in the application of new technology, says Christine Edwards, author of the study and professor of industrial relations and personnel management at Kingston Business School.

Small businesses are not the only ones to encounter problems in dealing with comput-



Rod (left) and Trevor Schragger: can carry out sophisticated financial and marketing planning on a tailored system

ers. Large companies can be equally disaster-prone. A third of major computer projects in the UK go over budget, overshoot completion dates or end up being scrapped as useless, according to a recent survey by accountants Peat Marwick Mainwaring.

For small firms, however, the consequences of a computer foul-up can be even more disastrous because they may lack the resources to ride out the problems.

Best Typesetting & Graphics, a Beaconsfield, Buckinghamshire-based company, lost customers and staff and saw its bank overdraft spiral when it ran into difficulties installing an \$85,000 computerised desktop publishing system. Tony Dunford, founder of the three-year-old company, says his problem was in marrying different computer systems.

After hunting around for nine months to find a computer supplier who could meet his requirements, Dunford thought he had found the right people. But even the "experts" were unable to get the system

up and running quickly and it took a year of trial and error before finally, last August, it was operating properly.

On top of all this, an employee who played a computer game on the company's system in his lunch hour introduced a "virus" into the equipment which took three months to eradicate. "It was a traumatic year," says Dunford. "We had expected some troubles but not to that extent. If we had not had engineering and computer expertise within the company we would have gone down. With the computers now working pretty much as planned, Dunford is expected to double this year to £360,000.

Dunford made careful preparations for his business launch and still ran into problems. But many small-business owners fail to plan their computer requirements. Businesses should start with a careful analysis of their needs before deciding whether they need to computerise and, if they do, what equipment they should buy, suggests Richard Varley,

managing director of North West Business Development Services, a Bolton, Lancashire-based consultancy.

Many small business owners are reluctant to call in consultants because of the cost, despite the fact that they may end up spending £5,000 to £20,000 on just the first stage of computerising their operations. Varley says he would expect to charge around £2,000 to analyse a smaller company's computer requirements.

It is quite possible that a study of the businesses needs may reveal that computers are not needed and that the administration can be handled quite adequately by manual methods. "Paper is very user-friendly," comments Cheryl Hyland, director of the Manual Business Systems Association. The association has handled 1,532 enquiries about manual systems in the past six months.

But if the business owner decides he does need to computerise he will be confronted with a confusing choice of systems. And despite this variety, a recurring complaint from business people is that they are unable to find a system to match their needs.

Graham Grover, managing director of Trident Microsystems, a Redhill, Surrey-based distributor of electronic equipment, has spent the past nine months locating and working with a software company to produce a database which will allow his sales staff to record enquiries and to follow up leads at the appropriate time.

"I would have thought any small company would have given a lot to get its hands on a system like this because this requirement is not specific to us," says Grover. "But we had to design it ourselves." The software company carried out the work on this part of the system for free, but has the right to sell it to other users in a few months' time.

Deals like this may be one way around the problem of the cost of developing software to meet specific needs. Small business owners must otherwise weigh up the cost of buying a system against the inconvenience of buying a system off the shelf which meets some but not all of their requirements.

Deals like this may be one way around the problem of the cost of developing software to meet specific needs. Small business owners must otherwise weigh up the cost of buying a system against the inconvenience of buying a system off the shelf which meets some but not all of their requirements.

## Wales hosts a Euro shop window

Peter Walker returned to Cardiff recently, six weeks after leaving office, to perform a task that had been close to his heart during his three years as Secretary of State for Wales.

In the Norman setting of Cardiff Castle he opened Euronormant 90, a yearly exhibition that floats around the European Community and is intended to encourage small- and medium-sized businesses to grow.

Walker played great emphasis during his years in office on encouraging small firms in the principality, especially helping them to export, and although Euronormant is not geared specifically to this end, the two-day gathering is intended to help those who want to sell more abroad.

Few exhibitors expect to sell much, if anything. "That's not really the object," says Anne Marie Jackson, sales manager of Handcast Designs, a producer of marble-type giftware and jewellery from Newtown in mid-Wales. "This is intended to be a show to bring about introductions."

Indeed, the event is not even solely about introductions. Alongside the display stands was a programme of seminars on subjects such as trade and export finance, mergers and funding, legal services for 1992, and the tax consequences of cross-border relationships.

The European Commission in Brussels, which oversees Euronormant, does a lot of homework before each year's show. It produces a directory of entrants which gives details of - among other things - their products, turnover and what they are looking for in partnerships, agency agreements, franchises and so on. This is then circulated widely throughout the Community and enables companies to decide which companies they wish to contact.

The groundwork done by the Commission beforehand is thorough, but for the participating native company there is still an area of risk. John Farry, marketing manager of Dunline International, a leading British manufacturer of industrial brushes in Llanwrst, north Wales, says: "You can sit here all day and perhaps no one will come."

Euronormant began life in the Irish Republic two years ago and the intention was not just to bring companies together but also to help companies in deprived regions of the Community. By the time of the second show, in Andorra, Spain, last year there was great competition to win the next one.

The Welsh Development Agency was chosen to run the latest event and Dr Gwyn Jones, its chairman, explains that the show was important to Wales "because it brings business people into direct contact with other business people from abroad."

Some 170 Welsh companies took up the challenge, and over 400 companies arrived from around Europe to see them. DR Chemicals, of Swansea, is typical of the sort of exhibitor and its needs.

The company is very small, with a staff of just seven, but within its field of specialty chemicals, it is an industrial leader. David Rees, the managing director, who set it up 16 years ago, comments: "We didn't come here hoping for sales. What we wanted was to build contacts."

"We were the first in Britain to produce a single-pack liquid for the high-speed cleaning of steel in strip form. We must have saved British Steel millions. This is the sort of business that might be franchised, for instance."

Dunline is larger, employing 150 and with a turnover of £2.25m a year. An airport runway sweeper is now an important part of its output. "We already sell to several European countries," John Farry says. "But distribution costs are heavy in relation to total price and we would like to establish a manufacturing base in Spain, a potential growth area we have identified."

Dunline has no hard-and-fast ideas on just what sort of deal it wants - perhaps a joint venture, perhaps a direct manufacturing base.

Handcast Design's Anne Marie Jackson is equally single-minded. "We want to develop our European market and this was a golden opportunity to meet people in our sector. It was particularly useful because all the people coming here knew just what we wanted and we were able to talk straight away."

Anthony Moreton

## In brief...

■ A one-day conference and exhibition aimed at new and expanding ethnic minority businesses will be held at the Bank of England in the City of London on Thursday, July 5. The Business Federation Conference '90 is intended to provide advice on raising finance and managing growth. Further information on the event, which takes place between 10 am and 5 pm, from Philippa Tree, Tel. 017 978 9488. Entrance charge £25.

■ The Shell Technology Enterprise Programme (STEP), which places students with small businesses for eight-week summer projects, is looking for more companies to take students this summer. In previous years companies have used students for a variety of tasks including evaluating production techniques, fund-raising and market research. Contact Asif Abdulla, Shell UK, Shell Mex House, Strand, London WC2R 2EL Tel. 071 257 3949.

■ 31 Britain's largest venture capital group, has launched a £50m fund to finance management buy-outs in the East Midlands. The fund will be managed by the company's Leicester and Nottingham offices. Contact Martin Gagan in Leicester on 0533 555110 or Roger Coughlin in Nottingham on 0602 412766.

■ A guide to sources of training and advice for small firms in Scotland is provided by The Enterprise Directory, which is now available in its third, 1990 edition. It provides information on small business services available from enterprise trusts, enterprise companies, local authorities and colleges. Available from Scottish Enterprise Foundation, University of Stirling, Stirling, Scotland FK9 4LA. Tel. 0788 78171. 166 pages. £15.

■ Businesses grappling with problems caused by the introduction of the Uniform Business Review and the first valuation of property rates in 17 years may find value in reading the Director's Guide to the Rating Revolution.

The guide explains the rating changes, how businesses should respond, and whether it is worth while appealing against the changes by the deadline.

Available from The Institute of Directors, 116 Pall Mall, SW1Y 5ED or Tel. 071 730 0060. 92 pages. £3.95 plus 50p p&p.

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Interested Contractors should apply for prequalification documents to the project Consulting Engineer, Halcrow Burns Joint Venture. It is imperative that Contractors should possess major marine works experience, preferably with dry docks. Preference will be given to Contractors with major works experience in the Arabian Gulf.

Applications should be addressed to Halcrow Burns Joint Venture, 200 Victoria Park, London SW16 6PL, England. Telex: 4484 HALWIL G Fax: 0793 612088

Applicants should state the full postal address to which documents should be sent, and the name of a responsible contact.

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## BUSINESSES FOR SALE

**Kerner Leisure Ltd**  
(In Receivership)**North of England**

The above company operates six snooker clubs in the north of England.

- 5 freehold and 1 leasehold club in Sheffield, Stockport and Leeds
- Impressively refurbished within the last 12 months
- Excellent alternative leisure uses
- Over 5,000 existing members
- Offers invited for sale as a whole or in part

For further details please contact the Joint Administrative Receiver:

Richard Betts,  
Grant Thornton,  
28 Kenwood Park Road,  
Sheffield S7 1NG  
Tel: 0742 553371  
Fax: 0742 500294

**Grant Thornton****CIS Glass Systems Limited**

(IN ADMINISTRATIVE RECEIVERSHIP)

The Receivers offer for sale as a going concern the business and assets of the above company which operates as specialist glazing and curtain-walling contractors. Turnover in the last financial year exceeded £1.3 million.

- Assets include:-
- Order Book In Excess of £400k
  - Leasehold Premises in Hemel Hempstead
  - Plant & Machinery
  - Vehicles
  - Stocks Of Raw Materials & Work In Progress

For further details contact:- Jonathan Schapira  
Joint Administrative Receiver  
Pannell Kerr Forster,  
78 Hatten Garden,  
London, EC1N 8JA.  
Telephone 071-831-7393  
Fax 071-405-6736.

**PANNELL  
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& PARTNERS****Richard Ellis**

On the instructions of the Joint Administrative Receivers, Touche Ross &amp; Co., in respect of Rish &amp; Tompkins Group of Companies.

**LEISURE COMPLEXES**  
FOR SALE**Quay West,**

Torbay, Devon

**The Plaza,**

Exeter, Devon

Leasehold beach resort with water theme park, bars, restaurant and amusements. Scope for further residential and leisure development.

Leasehold sports and leisure centre with themed pool, sports arena, health club and licensed facilities.

For details apply: Ref: JSB/SHF

Richard Ellis, International Property Consultants,  
Berkley Square House, London W1X 6AN  
Tel. No: 071-629 6290 • Fax: No: 071-409 1478

**W. SANDERS & SON**  
(LEYTONSTONE) LIMITED

The Joint Administrative Receivers offer for sale the business of W. Sanders & Son (Leytonstone) Limited which consists of electroplating and metal finishing.

Main features include:-

- Turnover £400,000 per annum
- Long leasehold premises in Leyton, London, E10, comprising 16,000 sq ft of factory and office accommodation
- Extensive plant for manual and automatic plating
- Specialised button and electroclear lines
- Skilled workforce

For further information please contact the Joint Administrative Receiver:

Stephen James

**KPMG** Peat Marwick Corporate Recovery  
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Tel: 071 236 8000. Fax: 071 248 1790.

**Reprographic Service and Drawing Office Equipment WEST LONDON**

- Machinery, fixtures and fittings, vehicles at book value of £100,000
- Annual turnover £400,000 plus VAT
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- Prominent high profile corner site
- 2,600 sq ft leasehold premises. New net rent of £13,000

GROSS PROFIT 48%  
OFFERS IN THE REGION OF £200,000 TO INCLUDE VALUABLE HEADLEASE

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**CHRISTIE & CO**

By Direction of the Receiver Richard Neville of KPMG Peat Marwick McLintock

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Cornwall

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Some 6,000 sq ft purpose built 2 storey entertainments/Bars/Lounge/Dance Floor/Disco together with ancillary areas - linked to adjoining Management Flat/Staff Accommodation and 5 very spacious self-contained well appointed Apartment and Penthouse Flats. Full On-Licence and Entertainments Licence.

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Offers in Region £900,000 Freehold

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The Joint Administrative Receivers of Monarchlink Limited trading as The Garden House Hotel offer for sale, the business, business assets and goodwill.

- Well positioned Hotel with Car Park
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- Full forward bookings throughout Summer
- Conference facilities and Wedding Receptions
- Restaurant/Bar
- 23 Staff

Interested parties should contact Ruth Bramble/Paul Davis on 0303 52278, or the Joint Administrative Receiver Neil Geddes Levy Gee and Partners, Western House, 56 Dingwall Road, Croydon CR0 0XH. Telephone: 081-681 8389 Telex: 081-681 8402

**LEVY GEE****Continuous Textile Heat Transfer Printers**

For sale as a going concern the business and assets of W & H Rycroft Limited (in Receivership).

- Freehold premises in Knaresborough, West Yorkshire.
- Specialised plant and equipment.
- Highly skilled workforce.
- Substantial order book.
- Annualised turnover of £2m.

For further details contact

Jeremy Carter

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Dieses erfolgreiche Bauunternehmen mit Sitz in der Nähe von Birmingham in Großbritannien wird zum Verkauf angeboten. Das Unternehmen hat in den letzten Jahren erfolgreiches Wachstum erzielt und hat ein ausgezeichnetes Profil auf dem Gebiet des Bauwesens, Hoch- und Tiefbau und Spezialbau. Mit einem Umsatz von 35 Millionen Pfund Sterling bietet dieses Unternehmen eine ausgezeichnete Möglichkeit, in den britischen Markt einzusteigen und wurde sich ideal anbieten für ein europäisches Unternehmen mit der Absicht, ein zentral in Großbritannien gelegenes Bauunternehmen einzurichten. Das Unternehmen, das autonom geführt wird und über ein eigenes Management Team verfügt, ist Teil einer grossen Konstruktionsgruppe. Auf Grund der zukünftigen strategischen Planung der Gruppe ist entschieden worden, dass im besten langfristigen Interesse des Bauunternehmens ein geeigneter Partner gefunden werden soll, damit das bisher erreichte Wachstum und der Erfolg weitergeführt wird. Interessenten fordern bitte unter Chiffre H6393, detaillierte Informationen an.

**GROWING BUSINESS**

The Financial Times proposes to publish a Survey on the above on 22nd July 1990  
For a full editorial opinion and advertisement details, please contact:  
Annette Courtman  
on 071-470 3912  
or write to Box 62

Hammer, One Southwark Bridge, London SE1 9HL.

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Assets for sale comprise leasehold premises, plant, machinery, stocks and work in progress.

Interested parties should please contact David R Wilton and Ian N Carnahan, Joint Administrative Receivers at Cork Gully, 43 Temple Row, Birmingham, B2 5JT. Tel: 021-238-9966  
Fax: 021-200-4040 Telex: 337892

Cork Gully is situated in the name of Cooper & Leland Davies by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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The Joint Administrative Receivers of Kalatodge Limited trading as Lord Hill Hotel offer for sale, the business, business assets and goodwill.

- Well positioned hotel with large Car Park on outskirts of Shrewsbury
- Commercial and Family run Hotel
- 46 Bedrooms with en suite facilities
- Forward bookings throughout Summer
- Conference facilities and Wedding Receptions
- Restaurant/Bar (80 people a la carte)
- 25 Staff

Interested parties should contact Paul Davis/Louise Tasker on 0743 332601, or the Joint Administrative Receiver Neil Geddes Levy Gee and Partners, Western House, 56 Dingwall Road, Croydon CR0 0XH. Telephone: 081-681 8389 Telex: 081-681 8402

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Full FIMBRA membership. Sale or merger considered.

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**CIS Interior Designs Limited**

(IN ADMINISTRATIVE RECEIVERSHIP)

The Receivers offer for sale as a going concern the business and assets of the above company which designs, manufactures and installs high quality office interiors. Turnover in the last financial year exceeded £7 million.

Assets include:-

- Order Book In Excess Of £1.4 Million
- Leasehold Premises In Hemel Hempstead & Watford
- Plant & Machinery
- Vehicles
- Stocks Of Raw Materials & Work In Progress

For further details contact:- Jonathan Schapira

Joint Administrative Receiver

Pannell Kerr Forster,

78 Hatten Garden,

London, EC1N 8JA.

Telephone 071-831-7393

Fax 071-405-6736.

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

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- Fully equipped production facility
- Freehold site extending to some 15 acres.
- 72,000 sq. ft. growing area plus planning permission for a further 24,000 sq. ft.
- Established customer base.

For details please contact the Joint Receiver, PRC Denham FCA of Price Waterhouse, Clifton Heights, Triangle West, Bristol BS8 1EB. Telephone: (0272) 293701. Fax: (0272) 290519.

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## BUSINESSES FOR SALE

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## C.S.G. (Bath) Limited

## In Receivership

The company trades from headquarters in Bath, Avon and was formed to take over Bath City Council's Direct Services Unit which was acquired in a management and staff buy out. Its business includes the provision of a wide range of services to Bath City Council and other local authorities. Services provided include the following:-

- horticultural services including the maintenance of parks, grounds and cemeteries
- office, housing and car park maintenance
- traffic management
- cleaning
- civil engineering

The principal features of the business are:-

- leasehold premises in Bath, London and Cornwall
  - skilled workforce of 187 employees
  - existing long term contracts
  - large range of plant and machinery
  - budgeted turnover of approximately £3.5 million
- All enquiries should be addressed urgently to the Joint Administrative Receiver:- RW Birchall FCA, Cork Gully, 66 Queen Square, Bristol, BS1 4JP.

Telephone (0272) 277165

Fax (0272) 307008.

Cork Gully is authorised in the name of Coopers & Lybrand

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Cork Gully

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## North London

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- Prestigious customers

For further details please contact either of the Joint Administrative Receivers:

Iain J Allan or Maurice C Withall, Grant Thornton House, Melton Street, Euston Square, London NW1 3EP

Tel: 071-388 5100 Ext 2413

Fax: 071-388 4077

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## Ladies footwear manufacturer, leather and synthetic

- Purpose built leasehold premises, 65000 sq.ft. close to motorway network
- Established and skilled workforce, approximately 175
- Plant capacity 20,000 pairs per week
- Blue chip customer profile

The Joint Administrative Receivers offer for sale the assets of the above company for sale as a going concern. For further details contact Philip Ramsbottom or Peter Terry

KPMG Peat Marwick Corporate Recovery 7 Tib Lane, Manchester M2 6DS. Tel: 061 832 4221. Fax: 061 832 7265. Telex: 668265 PMMAN G

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External Services Division 071 637 2388 Ext 2402  
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Thornburgh Street, Russell Square  
London WC1H 0XG

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## ARTS

## French masters

William Packer visits galleries in Paris

As we move into the final decade of the 20th century, art in Paris is now for the most part the province of the major public galleries, showing their great permanent collections on the one hand and, on the other, an apparently unending succession of remarkable temporary exhibitions. But yet occasionally in the private galleries, we come upon exhibitions that only Paris could afford, founded in its old strengths and former glories.

For 25 years the Galerie Schmit has been dealing in the masters of French painting and the School of Paris of the 19th and earlier 20th centuries. To mark the anniversary, it has put together a show of remarkable quality and wonderfully comprehensive (336 rue Saint-Honore, 1st, until July 18). Taken whole such a haul would put its fortunate collector in the first rank for, of its period, all the required names are there, most of them represented by major pieces, many by several. The catalogue runs to 75 items and a further forty-odd have been thrown in for good measure - to have brought even a few of them together would have been achievement enough.

There is no theme other than the natural compatibility of works of an equal aesthetic weight - a landscape of the Midi by Cassandre alongside a painting of Dulwich College, only lately built in 1871, by Pissarro; Courbet's poor wood-gatherer, leading her goat through the snow, on the end wall; through the doorway a ravishing Degas of a woman drying herself, and beyond a study of a woman for *La Grande Vierge*, a high romantic portrait by Delacroix; and *La brodeuse* at her loom by Fantin-Latour, an image monumental yet sympathetic in its humanity. We look around, and there is Degas again, with his sportsman circling and gossipping at the Meuse, and Manet, a young man, Gauguin, Sisley, Lautrec, Morisot and Caillebotte. Boudin is very strong, as much in the freshest of studies as in, for him, the unusually large view of the Meuse at Dordrecht. Stanislas Lépine, usually considered a minor figure, is not at all put out in such elevated company.

And this is only downstairs: upstairs are the moderns, from Vuillard, Bonnard and the young Picasso, to late Braque and de Stael by way of Rouault and Modigliani, Matisse, Gris, Léger and the more and more Derrain comes into his own as a major

artist working on far beyond his early reputation as a fauve, as here with a still life of 1912 on so, and mature in its response to cubism. The early Dufys are fascinating, most especially the self-portrait of 1907, so restrained in its fauvism and so unexpected an anticipation of rayonism. The two Soutins, the young girl especially, in her scarlet dress, black legs and lovely smile, are magnificent.

A little up and across the road, the Galerie Oudermatt-Cezanne (35 bis, rue du Faubourg Saint-Honore, 5me, until July 28) has a much smaller show, some 30 paintings and a handful of sculptures. It is similar, however, with in its scope, that embraces Boudin and Karel Appel, and in its remarkable particular quality. The Lautrec, a small oil study on unprepared card of Jane Avril, seen from behind, her hair piled high, her puffed sleeves spread like wings, is as strong and lovely as such a thing can be, swift and sure, simple and authoritative, as the gesture itself, caught in a moment.

There too are Boudin again, and Pissarro and Lépine. The impressive late Sisley, of *Moret-sur-Loing* from across the water, is interesting for its heavier surface and closer working than usual for him, so solidly established. The Monet of Charing Cross Bridge, the Palace of Westminster like a grey ghost shimmering in the pale blue light, is extraordinary in its radical subtlety. The Bonnard is splendid and so too the Vuillards, of which one, from 1908, of a girl in a white kimono standing in the blue-grey corner of her room, in its economy and freedom of statement might almost be from the Matisse of 10 or even 20 years later. The vast Gleizes, a composition of 1912, is a triumph of decorative cubism.

Of current shows in the public galleries, the most notable is the substantial study, at the Musée du Palais (until July 22) of another major figure of the early modern period, but one who is both of it and yet apart, the Belgian painter, James Ensor. Born in 1860, he lived and worked on into great old age, dying in 1949, and yet this show demonstrates that the period of his significant achievement was his youth and early maturity, its nature fully realised by the turn of the century. In received opinion he stands as the precursor of expressionism and surrealism, and in the dark religiosity of his imagery we can see him making available the grotesque-



'Still Life with Pears' by André Derain (above) and 'La Brodeuse' by Henri de Toulouse-Lautrec (detail), right, both at the Galerie Schmit

ries of Bosch to fiercely contemporary art.

But in his own practice he was the direct product of the realist schools of the 1870s, in which the Dutch and Flemish examples were especially strong. He was clearly an artist of extraordinary precocity, technique formed by the age of 20 and setting out on his career as it happens at the very moment that Van Gogh came late to the same vocation. The facility of the younger, set against the manifest struggle of the older man, makes a poignant contrast, all the more so for the religious and symbolic preoccupations they held in common.

The story of Ensor through the 1930s is that of an artist torn between direct observation and response to the world, and its symbolic interpretation. In the end the bleak symbolism and darker surrealism would win, but briefly in that first decade a true resolution was intuitively achieved between the two. The bourgeois conversation-piece takes on sinister, claustrophobic aspect. The more darkness, laughter falls hollow in the empty room. Familiar figures put on masks and disguises. The skeleton still rests beneath the skin. Christ has yet to make his entry into Brussels. With Ensor, it is the early work that is the revelation.



## Vladimir Ashkenazy

FESTIVAL HALL

The opportunities to catch Vladimir Ashkenazy in piano recital are comparatively few these days. To young audiences in London he must be more familiar as the Music Director of the Royal Philharmonic Orchestra, which in many ways is a shame, as Ashkenazy the conductor displays a very different character in his music-making from that of Ashkenazy the pianist.

To remark on only the most obvious aspect, the sound pictures that each favours are poles apart. With baton in hand Ashkenazy leads performances of the romantic lushness, deeply lyrical, richly coloured. But as soon as he sits at the piano keyboard, the sounds one hears immediately become sharper and clearer, with a cool poetry in the quiet playing that gives way to a hard and aggressive, metallic attack at the big moments.

His Sunday afternoon recital at the Festival Hall drew a capacity audience. The composers were Brahms and Schumann and this was an occasion when one wished that the alter ego, Ashkenazy the conductor, might creep up from behind and tap the pianist on the shoulder to suggest that a warmer, deeper

tone might bring greater rewards in this music, especially the late Brahms of the Op. 119 Klavierstücke or his Third Piano Sonata. The Sonata, which was the main work on the programme, was given an energetic and often exciting performance. This youthful Brahms to be sure, given his head by Ashkenazy in a way that whirled up a tempo in the long outer movements. But the moon-like Andante hit over-brilliant tone at its climaxes, the Scherzo was barnstorming. One longed for the wisdom of an Arrau or the sensibility of a Lipin to mollify the music's drive.

In between came Schumann's *Kreisleriana*, which set out at a whirlwind pace. The clarity with which Ashkenazy is able to sort complicated textures, even at speed, is wholly admirable and yet there was no lack of personality in the playing, for both Schumann's Eusebius and Florestan were vividly evoked. For a musician who could only put "Part-time pianist" on his passport these days, Ashkenazy keeps up a remarkably high standard of playing.

Richard Fairman

## Tannhäuser

THE DOCK, BRIGHTON

New Sussex Opera's annual productions have become an event. This year's *Tannhäuser* is a major staging of a Wagner opera not often given in this country, a work paradoxically at once old-fashioned and permanently controversial. Since the financial situation, critical in Sussex as elsewhere, nearly stopped this enterprise in its tracks, the intervention of Gatwick Airport Ltd, sponsors and the support from the Longley and TV Trusts and East Sussex County Council shall be recorded without delay. The production is dedicated to the memory of an outstanding Wagner conductor, the late Sir Reginald Goodall.

Widely NSO chose the fuller, Paris version of the opera. West of the style of *Tannhäuser* - a knobbly blend of Paganini grand opera and early German-Romantic influences, shot through with Wagner's own, already rampant personality. The Dock's projecting stage was raised enough to enable the vigilant and effective conductor Lionel Friend and the NSO Orchestra to give the music its head without covering the voices. The designer, Jacqueline Gunn, backed the space with a great white wall with openings at various levels like a dream-memory of the Roman theatre at Orange. This journey into Paganini is striking and workable - no to a point. But there is too much white, and too little contrast. The same basic colour for Venusberg and Wartburg blunts the opposition of the two worlds, sensual and spiritual, in which the drama is rooted.

Keith Warner's production, covetous, serious, well-thought-out if sometimes mis-

guided, is at its best in the second act. Here the often deadly contest of song is clearly and even gloriously presented. The treatment of the chorus later in the act when the knights threaten Tannhäuser, provoking Elisabeth's intervention, is unusually well done. Doubts however had already arisen over the treatment of the Venusberg scene earlier in the evening. Here the witnesses looked unimpressed at the dancers, students and members of a movement group. Short quasi-ballet skirts and frizzy hair hinted at possible slap-and-tickle salacity, contradicted by slow, half-frozen movements.

The result, about as obviously exotic as a college production of *Aeschylus*, bore no relation to the stream of lava from the orchestra, calling imperiously for free, flowing, dance. The wonderful decline after the climax into sadness and self-dignity could not be matched on the stage because there had been nothing there to decline from. Caroline Pope was named as NSO's choreographer. I like to think she was also responsible for the effective processions throughout the opera. In the last act Venus not only appeared on stage but stayed there to the end of the opera. The chorus, with bowed head, a sketch for Kundry. This third act was a mixed bag, with much squirming on the floor for the other principals, who looked unhappy beyond the dramatic requirements. The and was in every sense obscure. Tannhäuser is convincing to a rare degree. He looks the part, he can sing it and project it

with intensity. The basic colour of the voice suits the music but would gain much from more contrast and shading. Equally convincing is the young, impulsive Klaus Beth of Linda MacLeod, passionate not only in her Greeting but in the Prayer which some sopranos treat as an exercise in creamy tones. The Venus, Mary Lloyd-Davies, not much helped by the producer's convincing views of the character (a sort of white nightgown, no visible make-up, and no suggestion of the supernatural), phrased intelligently and musically. Unfortunately the tone was inclined to go hollow where something more seductive was needed.

Peter Knapp made more than many baritones do of Wolfram's first aria and, because he was overdoing the woodiness rather less of the second. Richard Angus as the Landgrave made every word of Rodney Blumer's translation audible. Evidently lack of consistent verbal clarity elsewhere was not the fault of conductor or hall. One regretted not hearing more of the Stimmungs sang the Shepherd boy from a high perch on the wall. The chorus and the West Sussex Boys Chorus were valiant except when small groups made their entrance from backstage singing, and promptly lost pitch (soon recovered). Well worth seeing, especially for those who believe *Tannhäuser* is old hat. Further performances on Wednesday and Saturday of this week.

Ronald Crichton

## Sing, Ariel

SHAPE MATINGS

Alexander Goehr has been "in residence" at Aldeburgh this year, and the final weekend produced a major new work commissioned by the festival, *Sing, Ariel*, to a text devised by Frank Kermode.

It is a soprano song cycle at first appearance, but something much more quirky and individual by design. The texts range widely, and the soloist is accompanied by a heterogeneous ensemble of piano and double bass, violin, trumpet and tenor saxophone, with two further sopranos.

The work of disparate poets - perhaps just a couplet, or a complete extended poem - is intervened to form, as Goehr observes, "an arrangement... in which the whole seems to tell a story that has not been told in any one of the texts."

It is a sequence of extraordinarily wide literary range. Ezra Pound is placed cheek-by-jowl with Milton, Wallace Stevens with Shakespeare. The theme is the human necessity for song to articulate the commonplace as much as the extremes of experience.

Goehr set Kermode's sequence with a minimum of alterations but two distinct sections, so that the gradual shift in preoccupations, from celebrating human joys to underscoring fears and uncertainties, is charted musically. The instrumental writing is spare and sinewy (often just a single voice) the soprano lines functional, almost deliberately unsonorous.

The passionate extremes are underplayed, the alternative emphases consistently surprising. In the extended setting of Larkin's "Unfinished Poem," which gives the cycle

its dark, fearful centre, the nightmarish litany is delivered with a calm objectivity defined by a long double bass solo. The height of musical tension arrives not at the point of maximum terror but in its aftermath: at the line "Why are your feet bare?" the poem acquires an erotic twist, and the music jerks into an angular climax.

At such moments as in the gorgeously warm rendering of a fragment (unacknowledged) of Hardy which closes the second part, Goehr seems to touch upon a profundity that his bald surfaces otherwise obscure. It suggests a beautifully ordered and crafted musical object with many secrets and puzzles.

While Goehr's sense of harmony is always a closed book to me at least, the sudden intrusion of a piano fugato based upon one of Messiaen's birdsongs is hard to resist, likewise some later eruptions into otherwise serene contexts. And the migrations of the ensemble sopranos from background to foreground are a constant fascination.

There is enough meat here to nourish repeated performances. Oliver Knussen (to whom the score is dedicated) conducted this premiere with natural sympathy, pacing and an excellent group of instrumentalists. The chorus sopranos were Fiona O'Neill and Tracey Chadwell and the soloist, fearfully accurate, was Lucy Shelton: one could imagine a more lurid vocal sound, but since she suited the brightness of the lines so well, it would be churlish to criticise.

Andrew Clements

## Alcina

CHATELET, PARIS

William Christie is a musician of formidable convictions. A self-proclaimed missionary of authenticity, he has risked his considerable reputation as a period specialist (as others have done before) by leading his expertise to a modern production of a Baroque opera. Having succeeded so well with works by Lully, Charpentier and Purcell, the opportunity to conduct Handel's *Alcina* offered him the logical way forward. Collaboration with the Paris Théâtre du Châtelet, the Grand Théâtre de Genève and the Ensemble Orchestral de Paris provided the challenge. It was a calculated risk for (like Lully) he knows how to train an orchestra and wisely chose singers already well known for the stylish performances in this work.

To mount an uncut, fully staged performance of a Handel opera is rare enough. To address some of the unresolved issues of performing practice is even more remarkable - in particular, the dramatic constraints by the libretto to the ubiquitous da capo aria. Christie's solution is to make a dramatic event of the middle section, often drastically slowing it down - as in Ruggiero's "Di mi mio" (magnificently sung by Della Jones) and Morgana's "Tornami a vagheggiar" (with the coquettish Donna Brown) - or by inserting rhetorical pauses and make lavish risards. The effect will not be to all tastes, but Christie has undoubtedly succeeded in tapping a rich vein of rhetoric contained within in Handel's music.

delivered by all the principal singers. Arleen Auger's Alcina - no longer in her first youth - is a deeply pathetic figure. The loneliness and vulnerability conveyed in "Ah, mio core" and the fidelity of her anger in "Della Jones" are pitifully unforgettable. Kathleen Kuhlmann's brave Bradamante at first puts aside her own concerns to lecture the spineless Oronte (Jorge Lopez-Yanes) and the spirited Morgana on the pitfalls of jealousy, only to demand her own vindication later; Christie pushes the tempo of the virtuosic "Vorrei vendicarmi" to an uncomfortable speed. Della Jones's finely paced account of "Verdi prati" incorporates some of the most effective da capo ornamentation heard all evening. Gregory Reinhart is a sonorous Melisso. Martino Musacchio a determined Oberto.

The production, with its galleried brick facade and supporting cast of exotic creatures masked and mad-hatted departs from the libretto in minor ways. Oberto's finger turns out to be a dancing pole bear rather than a lion; a china doll dressed as Ruggiero - into which Alcina has earlier stuck a rather large pin - substitutes for the magic urn which Ruggiero is meant to smash at the end of Act 3; and the masked men finally reveal themselves to be a citizen's militia loyal to Ruggiero. No matter: this is a marvellous evening of musical theatre well worthy of Handel.

Powerful performances are

Julie Anne Sadie

## ARTS GUIDE

## OPERA AND BALLET

## London

Royal Opera, Covent Garden: The first production in London for more than a century of Rossini's *Guillaume Tell* is by John Cox, conducted by Michel Plasson, with Gregory Varticovski and Robert Lloyd in leading roles. The triumphant new production by Bill Bryden of Janacek's *Spring* (*Věsta Věsta*) is conducted by Simon Rattle, with Thomas Allen, Lillian Watson, Diana Montague, Robert Tear, and Gwynne Howell heading the cast. Latest round of the company's much-revived *La Bohème* production by John Copley; Antonio Pappano (house debut) conducts, and principals include Jonas Tokody, Jorja Haden, Jonathan Summers, Barış Tumanyan, and Judith Howarth.

## Brussels

Théâtre Royal de la Monnaie: Richard Strauss's *Der Rosenkavalier* performed by the Monnaie opera and orchestra conducted by Daniel Barenboim, sets by Carlo Tommasi, staged by Gilbert Gier with Judith Beckmann, Gert Misenhardt, Lani Poulsen.

## Antwerp

Koninklijke Opera. The Royal Flanders opera in Tchaikovsky's *Eugene Onegin* conducted by Rudolf Werhst and staged by Adolphe Driess with Mireille Adolphe, Pavel Chernykh and Chris de Moor.

## Liège

Théâtre Royal. The Royal Walloon opera in Puccini's *Manon Lescaut*, staged by Daniel Barenboim, with Jules Bastin, Daniel Munoz, Dorcas Salek, Marcel Vennard.

## Berlin

Opera. *Lohengrin*, produced by Christa Mielert, will have its premiere this week with a strong cast led by Peter Seifert in the title role, Eva Johansson (Elsa), Helmut Walke (Heinrich), and Olivia Stapp (Ortrud). Jan-André Rottgering (Heinrich der Vogler), conducted by Jens Lopez Cobos, who will be leaving Berlin soon. *La Bohème* returns with its original cast: Kallen Esperian, Gwendolyn Bradley, Antonio Ordonez and Andreas Schmidt. *Three stars* *Flar Lorenz*, Ingvar Wenzel, John Sander and Manfred Roedel. Also the ballet *Notre-Dame de Paris* and *Rigoletto*.

## Frankfurt

Opera. The successful *Le Cid* - *Renard* of 710 production by the Lievi brothers is sung by Alicia Nafé, Ana Puzar and Keith Lewis, brilliant as leads. Further performances of *Il Barbiere di Siviglia*.

## Cologne

Opera. Last performance of Jean-François Fournelle's wonderful *Die Hochzeit des Figaro* production with Lubov Kazarnovskaya, Reinhard Dorn and Teresa Ringholz, expertly conducted by James Conlon. End of season, reopens Sept 2.

## Bonn

Opera. *Macbeth* is sung by John Loughlin, Elizabeth Atkinson (Stephen Dickson). Also Libana Cavani's conventional but well received production of Verdi's *La traviata*, conducted by Riccardo Muti, with two young and almost unknown singers, Tiziana Fabbricini and Roberto Alagna as Violetta and Alfredo (60.51.22).

## Munich

Opera. *Rigoletto* has a strong cast led by Mariella Devia, Leo Nucci, Daphne Evangelatos and Francisco Araiza. Richard Simon's *Die Liebe der Danae* is sung by Sabine Hass, John Broecker and Paul Frey. Also in repertoire: *Die Jungfrau von Orléans*.

## Madrid

International Dance Gala. Featuring: Ballet Lirico Nacional, Baden National Ballet, Bolshoi Ballet, Paris Opera Ballet. (Wed, Thurs, Fri) Centro Cultural de la Villa (578 28 92).

## Barcelona

Gran Teatro del Liceu. *Les Huguenots* by Offenbach, conducted by Eugene Kohn, and featuring Neil Shifford, Jose van Dam and Ruth Welting closes the season at the Liceu. Ends July 5 (318 92 77).

## Milan

Teatro Alla Scala. Slightly sinister production of Tchaikovsky's *Queen of Spades* by Russian/American cinema director Andrei Kondratyev, set in a twilight 19th century, designed by Javier Calzon. End of season, reopens Sept 2.

(ins), Margherita Zimmerman (alternating with Francesca Franchi and Vladimir Atkinson (Stephen Dickson). Also Libana Cavani's conventional but well received production of Verdi's *La traviata*, conducted by Riccardo Muti, with two young and almost unknown singers, Tiziana Fabbricini and Roberto Alagna as Violetta and Alfredo (60.51.22).

## Rome

Piazza del Popolo e Pincio. Open-air baroque festival with 60 artists performing a varied programme of music, dance and mime dedicated to Queen Cristina of Sweden, who made her triumphant entry into Rome in 1655 through the gate at Piazza del Popolo (Thurs) (461.55.21).

## Florence

Teatro Della Fargola. Last opera at this year's Maggio Musicale is Jonathan Miller's splendid production of Mozart's *Don Giovanni*, set (surprisingly) at the right time, 1787, conducted by Zubin Mehta (247.96.51). Teatro Romano di Fiesole. *Madama Butterfly*, a new version of the Puccini opera on Thurs, conducted by a young Italian choreographer, Virgilio Sieni, and a revival of a late 19th century ballet *Sport* (277.82.56).

## Turin

Teatro Tenda at Piazza d'Armi. The Teatro Regio ballet company in a reconstruction of Filippo d'Agui's *Grande*, Gianfranco Pasolini's *La Gira* and *Grand*

*Pas Romantique* to music by Adolphe Adam with choreography by Fernando Buonomo; and Patrick Dupond's Ballet Français de Nancy with works by Ulysses Dove, Kenneth Macmillan and Béjart (517.759).

## Naples

Teatro Mercadante. A new production by Giacomo Ballola of Mozart's *Così fan tutte*, conducted by violinist Salvatore Accardo, and a concert performance of Monteverdi's *Orfeo* conducted by Peter Neumann, with John Elwes in the title role (781 2857).

## New York

American Ballet Theatre. The 50th anniversary season concludes with *Sleeping Beauty* after an all-Tudor evening. Opera House at Lincoln Center (362 0000). New York City Ballet. Swan Lake concludes the season in programmes with *Ives*, *Songs*, *Flaubert* and *Who Cares?* New York State Opera House, Lincoln Center (870 5570).

## Tokyo

Kiev Ballet: *Nutcracker* (Mon, Tues); *Swan Lake* (Thurs). Shows Women's University Hitomi Memorial Hall, near Sangenjaya. (750 5400). Ballets Dance. *Reckless* dancers from the village of Tege perform at the Reiganji Temple (Thurs) (5237 8899). Die Lustigen Weiber von Windsor (Nikola). Staatstheater am Gärtnersplatz, Munich. Tokyo Bunka Kaikan (Thurs) (289 8999).

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FINANCIAL TIMES

LONDON &amp; NEW YORK

## Joan Armatrading

BIRMINGHAM HIPPODROME

Before, long before, the likes of Tracey Chapman and Suzanne Vega there was Joan Armatrading. Lacking the political cachet of the one and the winsome poetics of the other, she has never enjoyed their catapulted success, but quietly racked up an impressive body of work over more than a decade. Sunday's show in Birmingham launched a British tour to promote her new album, *Hearts and Flowers*. The faithful were there in force, welcoming her back like an old friend. Armatrading is not one of those singers who gives concerts because they can't help themselves, because it's the only life they know. She is at her most natural, one feels, writing, arranging and recording; when she appears on stage it is to service the debt to her fans, to present them with a report on her progress.

For Armatrading live offers no revelations. She sings only her own songs, so there are no insights of interpretation to be gained - what would she do, for instance, with songs by Van Morrison, who she

declares a major influence? Though the musicianship is considerable, not least in her caustic guitar playing, there was something slightly awkward about the whole affair, not just the inevitable dry joints in a show that is still finding its feet. Essentially it is a pleasant exercise in recall, as she trows through the best of some dozen albums and the audience sings along with every word.

But the standard is high, the emotional range wider than one might imagine; while her home territory is very much the frontiers of personal relationships, the perspective is constantly changing, along with the musical slant: there are fewer quiet moments of introspection these days, more insistent hard-edged rock. The new collection of songs follows that trend, as if the painful examinations on its predecessor, *The Shouting Stage*, had ended that line of exploration; there is real ebullience now, even optimism. Certainly the fans are convinced.

Andrew Clements



## FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL  
Telephone: 071-873 3000 Telex: 922188 Fax: 071-407 5700

Tuesday June 26 1990

Government  
by jawbone

THERE is something odd about the Chancellor of the Exchequer and the Governor of the Bank of England wringing their hands and begging banks to restrain their credit sales forces. The governor, Mr. Robin Leigh-Pemberton, recently expressed the view, at a banking dinner, that there had gone out of fashion. Last week the Chancellor, Mr. John Major, spoke with apparent distaste when he lectured the Conservative Women's conference on the sale of loans by direct mail, which includes various financial appearances of standard marketing practice, such as unsolicited offers and free gifts. If the financial services industry did not produce a convincing code of practice, he intimated, the Government might have to step in.

Mr. Major is under political pressure to speak as he did. Many voters wonder aloud at the apparently glowering offers of loans that seem to come through the letterbox in ever-increasing quantities. The former Chancellor, Mr. Nigel Lawson, received a frosty response at last year's conference when he rejected action to curb such marketing. That, he said, would be "mummy state" intervention. He was right.

## Prudential grounds

The governor and Chancellor may have a respectable argument on prudential grounds. There is also much to be said for promoting consumer protection where there is insufficient competition, limited transparency in dealings, or sharp practices. These concerns are before a committee set up by the clearing bankers, under the chairmanship of Sir George Blunden, the former deputy governor of the Bank of England. There is therefore a limited case for Mr. Major and Mr. Leigh-Pemberton to put before Sir George, who already has on his table the conclusions of last year's Jack Committee report on banking services. Such technicalities aside, the British Government must accept that either it believes in intervention, or it does not. It would be pointless to establish one of the world's liberal environments for the financial services industry and then the consequences.

There is no going back on

that liberal environment now. Exchange controls were abolished in October 1979; even the Labour Party, by advocating membership of the Exchange Rate Mechanism of the European Monetary System, has implicitly accepted that they are gone for good. It would thus be impractical to re-instate the "corset" on bank lending, since restrictions imposed on the domestic market would be evaded by borrowing freely abroad. Abandonment of the corset in 1980 initiated a competitive market for credit, with banks and building societies eventually becoming players on more or less equal terms. Subsequent legislation, most notably the Financial Services Act of 1986, completed the picture.

## Political masters

What is really disturbing the Government is that the increase in borrowing occasioned by the liberalisation is proving difficult to damp down, even with high real interest rates. Both the Treasury and the Bank of England would dearly love to see a greater propensity to save, and a lesser inclination to borrow, particularly when the borrowed money is spent on expensive imported goods. Yet the political masters of both institutions have denied themselves the means of bringing this about. Over the past five years fiscal policy could have been tighter; that is, taxation could have been reduced by lesser amounts. The channeling of British funds into housing could have been discouraged by removing tax relief on mortgage interest payments, imposing capital gains tax on owner-occupation, taxing imputed rental income, and keeping the property tax, or rates, rather than reducing it with the indulgent poll tax.

Since the Government has tried none of the above, it must accept responsibility for the surge in demand for credit based on releasing the equity of British funds into housing. It has the power, but not the political will, to change the financial structure that reinforces this peculiarly British obsession with bricks and mortar. More jawboning about the retail marketing of credit is of little value.

Cosy duopoly  
in telecoms

THE British Government can be well satisfied with the radical telecommunications policy it embarked upon in the early 1980s. The UK now has five times as many users of mobile phones as West Germany or France, equipment prices are low by European standards and British industry enjoys a plethora of data services.

But, as the Government prepares for a major review of telecommunications policy in November, it would be wrong to rest on its laurels. The basic phone service is still far from perfect: customers complain they are not being treated efficiently and courteously; and people are being charged between two and three times as much for international calls. The explanation is that it has proved difficult to crack BT's near monopoly over the basic service. Eight years after it was licensed, it still rivaled Mercury Communications, has less than 5 per cent of the market. Without the threat of losing its customers, BT has had little incentive to improve the quality of its service.

The solution is more competition, which would put pressure on BT to cut its prices and to give its customers better service. When the Government privatised BT and set Mercury up as its rival, it stopped short of initiating a completely free market in telecommunications. The two companies were granted monopoly rights to provide basic phone services, to give the former time to adjust to a commercial environment and the latter time to build its network.

This restriction should now be abolished since it allows BT and Mercury to operate a cosy duopoly. Instead of keeping entrepreneurial companies out of the market, the Government should throw it open to anybody that wishes to take part, whether they are foreign or British.

## Commercial realities

The Government should also sell off its remaining 49 per cent stake in BT, which only serves to protect BT from commercial realities by making it takeover proof. Such a move would inevitably make it more expensive for the Labour Party to carry out its threat of buying a majority stake in the

## New competitors

It is unlikely in the medium term that any company will wish to compete with BT on a vertically integrated basis, providing everything from local to international services. More probably, new competitors will concentrate on particular niches.

BT's rivals will, therefore, only be able to offer a full range of services if they can interconnect with BT's network. Mercury's progress has been held back by disputes with BT over interconnection. Achieving satisfactory links between a multitude of networks will be even more difficult.

One way of preventing BT from abusing its power would be to break it up into different companies, concentrating on local, long distance, international and mobile services. This option, which was pioneered in the US and has been threatened in Japan, is probably off the agenda. But many of the same goals could be achieved by forcing the company to split itself into separate subsidiaries with any transactions between them on an arms length basis.

The Government should also promote greater openness in the way that the Office of Telecommunications regulates the industry. At present, nobody is in a position to challenge OfTel's decisions because they are taken behind closed doors and the information on which they are based is not published.

Although BT may complain that its ambition of becoming the world's leading international telecommunications group would be hampered by too much competition, it is only because of the freedom it was given in the mid-1980s that BT is able to entertain such an ambition at all. More competition at home may be just what it needs if it is to become fit enough to rival the world's best.

Ford is seeking to achieve miracles at its Dagenham car assembly plant to the east of London, to try to ensure that the operation, an integral part of its European manufacturing network, can survive through the 1990s.

Within the next two years it is seeking to attain the same levels of quality at the UK plant - previously a byword in the British motor industry for troubled industrial relations and poor workmanship - as it currently achieves at its Spanish assembly plant in Valencia.

On the face of it such a goal may not seem so ambitious, but little more than a year ago it would still have appeared to be a wild fantasy. An internal Ford report leaked earlier this month reveals for the first time details of the yawning gap between the quality of Ford cars produced in Dagenham and those produced at the continental European plants. The report shows that the UK products still lag far behind in terms of faults arising in trim and final assembly - from squeaks and rattles to water leaks - in paint finish and in body construction.

The very survival of the Dagenham car assembly operations is at stake and hinges on the success of the renewed quality and productivity drive, launched to follow up on last year's key decision to transfer all production of the Sierra range from Dagenham to Genk, Belgium, a move that will be completed next month.

The internal Ford report is highly critical of the performance in the past decade of Dagenham, the least efficient in terms of both quality and productivity of Ford's six car assembly plants in Europe. (The others are located at Halewood, Merseyside; the UK, Cologne and Saarlouis in West Germany, Genk and Valencia.)

"By the late 1980s Dagenham had become unreliable and at times almost out of control. Continued labour disruption, poor quality, and adverse cost performance were the product of an operation that required dramatic change if it was to survive in the 1990s," says the report.

It does not mince its words about the size of the task facing the Dagenham assembly operation. "The survival of this plant depends upon achieving improved quality, reliability of supply and productivity." (It is the car assembly operations, not the separate and much more successful Dagenham engine production operations, that are at issue.)

The body and trim plant is a significant part both of Ford's British and its total European operation. A failure to bring the operation up to scratch would impinge deeply on the success of the whole Ford of Europe business, whose profits are currently being used to help pay the wages of the Ford group.

The assembly operation accounts for 62.5 per cent of the total Ford Dagenham workforce, hourly and salaried, of 12,144, and a total Ford of Britain workforce of 48,000. The plant produced 194,261 units (94,261 Sierras and 100,000 Fierras) or 14.5 per cent of Ford's total European vehicle output last year of 1,255,459.

As Ford seeks to meet its declared ambitions of achieving best-in-class quality and becoming the most cost-effective car maker in Europe by the early 1990s, the Dagenham assembly plant has appeared more and more like a millstone around its neck.

"It has been made abundantly clear to all our employees, that if the agreed objectives are not met, then this plant can no longer expect to survive simply because of its historical importance," says the report.

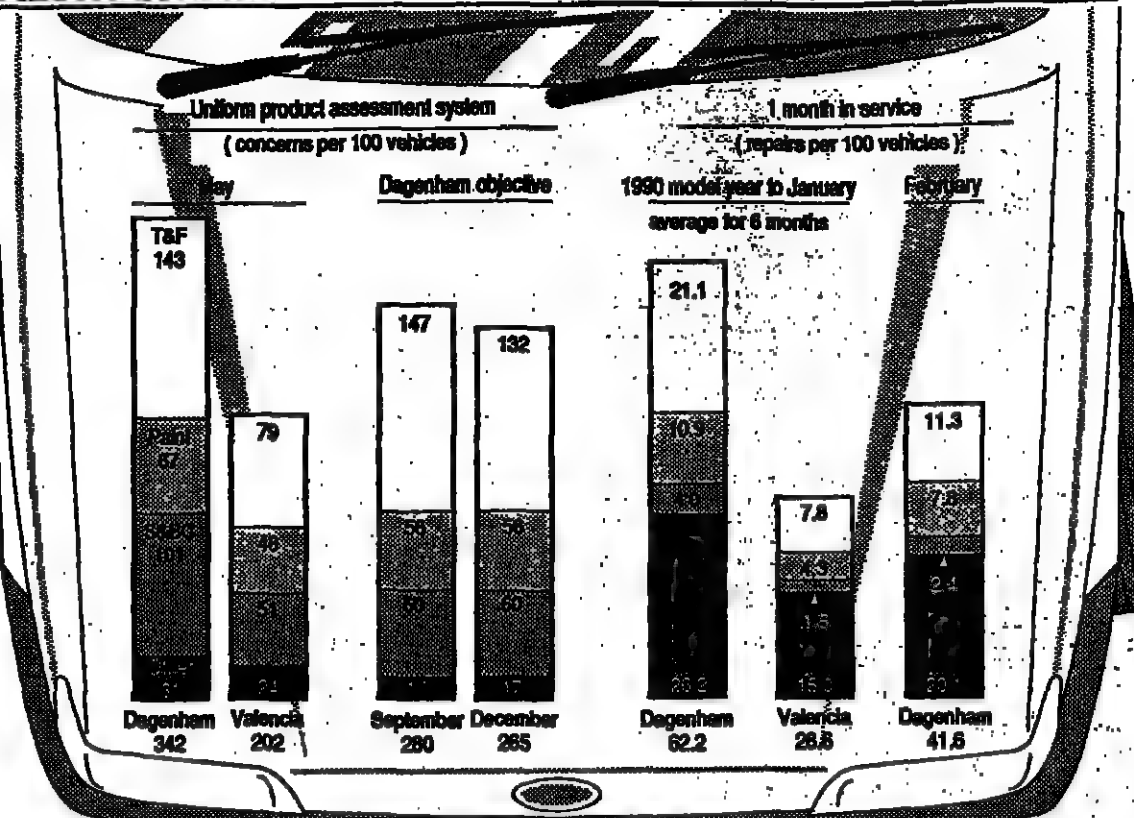
The report details the quality gulf that exists between Dagenham and Ford's continental European plants. According to the report, Dagenham Sierras produced in 1989 had 248 identified problems or concerns per hundred units compared with 303 for Spanish-produced Fierras.

Under the quality system based on one month in service warranty data

The survival of Ford's east London car assembly operations hinges on a renewed quality and efficiency drive, says Kevin Done

Time to do or die  
at Dagenham

## FIESTA QUALITY



T &amp; F: Trim &amp; final assembly - S &amp; B C: Stamping &amp; body construction

Model year begins in August

Source: Ford internal management report

## HOURS PER CAR

Plant	1988
Valencia - Fiesta	33
Genk - Sierra	40
Dagenham - Fiesta	47
Dagenham - Sierra	50
Halewood - Escort	58
Southampton - Transit	78

Source: Ford internal management report (1988)

Model year begins in August

Source: Ford internal management report (1988)

Model year begins in August

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Model year begins in August

Source: Ford internal management report (1988)

the Dagenham Fierras produced in the 1980 model year to January (six months from August to January) had 62.5 repairs per hundred (RPH) compared with 28.6 for the Valencia Fiesta.

Judging quality and making plant by plant - just alone company by company - comparisons is a fraught but vital task for car makers. It is becoming more and more complex as vehicle

closing the gap, and there are signs to suggest that Dagenham is not the business case it appeared to be even less than two years ago. In February alone the Dagenham RPH figure had been cut by a third to 41.6 compared with the previous six months.

Mr. Albert Caspers, Ford of Europe manufacturing director, told the Financial Times in a recent interview: "Dagenham is coming along in an excellent way. We have not missed our production schedule on a single day this year."

Admittedly such an achievement would be taken for granted at the company's continental European plants, but it is unprecedented in Dagenham's recent history.

"I think the whole environment is improving, there is a different attitude in the plant. We have created an environment of teamwork. It is not like them and us. It is more like a coherent team than ever before."

The reality as painted in the internal Ford document is rather less rosy, but it also states that "recently there has been a marked improvement in employee relations in most areas of the organisation. We have been able to achieve changes to production shifts, work allocation and levels of employment, without major conflict."

"The changes have been brought about by a combination of actions ranging from more open management style, a willingness to involve all personnel in the changes, and, of course, the realisation that the future of this plant is uncertain unless significant changes are made."

The crunch is approaching fast. Next month the last Ford Sierra will roll off the assembly line at Dagenham. When production resumes after the summer shut-down the plant will be reduced to producing only Ford's Fiesta small car and van range.

The decision to shift Dagenham to a single model plant with the concentration of all Sierra production at Ford's Genk plant, first announced in

January last year, was the key first step in Ford's latest attempt to transform Dagenham's performance.

It is aimed at greatly reducing the manufacturing complexity of the Dagenham body and assembly operation. Final elimination of the Sierra next month will reduce the parts count by about 50 per cent and will cut the number of body types from 20 to 12, including right and left hand drive versions and the planned high-roof Fiesta van. The disruption caused by model changes will also be reduced by about 50 per cent.

Dagenham's capacity for producing 1,104 cars a day will remain unchanged. In order to achieve full capacity production of the Fiesta range, Dagenham will have to start exporting to continental European markets. Dagenham will be the sole European source for the Fiesta high-roof van, planned for launch in 1991.

Ford management accepts that it must "overcome the resistance in export markets to taking products from Dagenham," by implementing its plan to improve quality, schedule performance and productivity in the two years 1990/91.

Implicit in the Ford management report is the admission that buyers in Britain of Ford cars built in the UK have to date been forced to take inferior products to those on offer to Ford buyers in continental Europe.

The launch of left-hand drive cars from Dagenham is supposed to represent the great leap forward in quality. The Ford report says it is planning to introduce the left-hand drive cars "at Valencia quality levels", but the same standard is to be spread across the whole of the plant's output.

"Until now it has been working with the aim of reaching Valencia quality standard - measured by the UPAS system - by the end of 1992, but Mr. Harold Poling, Ford's recently appointed hard-line chairman and chief executive, appears to have insisted on the target being brought forward."

Ford is now aiming for a quality level for Dagenham-produced Fierras based on the warranty data system, of 28.6 repairs per hundred (RPH), the Valencia standard, a 54 per cent reduction from the average level for the six months to January, and a 31 per cent reduction from the February level. Under the pulled UPAS quality measurement system it is seeking to reduce the number of concerns per hundred units from 342 in May to 280 in September and 265 in December.

In the analysis of "major concerns" based on Fierras produced in May, about 42 per cent of the total defects came from the trim and final assembly area (ranging from squeaks and rattles to water leaks and inoperative locks), close to 20 per cent concerned paint (from dirt to damage), while 29.5 per cent stemmed from stamping and body construction (rims, panels and engine settings and damage).

In its endeavours to improve the Dagenham quality performance, Ford can at least take comfort from the success of some of its rivals operating in the motor industry in Britain, which have demonstrated that the competitive quality gap with continental plants can be closed.

Peugeot is now exporting a large part of the production from its Ryton, Coventry plant, which faced the threat of closure in the first half of the 1980s. General Motors is starting to export cars again from the UK (Vauxhall Cavaliers under the Opel Vectra badge) from its Luton plant for the first time in a decade and claims that quality is matching its continental European plants, while Mr. Yukas Kuma, chief of the UK division, says it is obtaining Japanese levels of quality from the workforce at its Sunderland assembly plant.

The size of the task is still daunting. While the quality offensive is pursued, no less a challenge is faced in coming closer to continental European and Japanese productivity.

According to information provided by Ford in the wage negotiations last autumn, it still required an average of 87 hours in Dagenham in 1988 (69 hours in June 1989) to build a Fiesta compared with 53 hours in Valencia. It took 67 hours to build Sierra in Dagenham in 1988 and 40 hours in Genk. Ford estimated that Nissan would require only 26 hours to build a Sierra-size vehicle in Sunderland when the plant is at full capacity.

Still, in the UK's favour are vital factors such as lower labour costs and a readiness to work longer hours than in some continental European countries, but for Ford this cannot make up for ever the gulf in quality and productivity. The clock is ticking.

Changes in  
fashion

Sacked two years ago from Christian Dior, after 30 years as chief designer, Marc Bohan has found a warmer welcome on the English side of the Channel. He is to start a three year contract as artistic director of Norman Hartnell, one of the Queen's favourite dress-makers.

"If you are going to make the quantum leap into the big league, you have to have international players," says Manny Silverman, who acquired the Hartnell business three years ago.

The French press reports that Bohan's salary will be £1m a year, but Silverman, who likes a footballing metaphor, says that depends on the number of goals scored. "I would be overjoyed if that is the size of the cheque I have to sign each year," he explains.

Bohan's move comes after several foreign designers have signed up with the well-known Paris fashion houses. The British designer, Alistair Blair, has joined Lanvin, while Bohan himself was succeeded at Dior by Italy's Gianfranco Ferré.

Bohan is not new to Britain, however, having headed Dior's London operation in the 1950s before being called back after Christian Dior's death to take charge of the haute couture studio in Paris. His return will allow the royal family, at least, to achieve an elegant compromise: Paris fashions, with a British label, though his discreet style may be a little too demure for some of the younger royals.

Although BT may complain that its ambition of becoming the world's leading international telecommunications group would be hampered by too much competition, it is only because of the freedom it was given in the mid-1980s that BT is able to entertain such an ambition at all. More competition at home may be just what it needs if it is to become fit enough to rival the world's best.

## Peoria play

How it will play in Peoria has long been a critical political test in the US. It may yet come to the rescue of Vice President Quayle, who does not always like it off with more sophisticated audiences.

A Quayle support group

## Queer folk

Some family doctors will need to be more discreet when the bill giving patients the right of access to health records becomes law - probably in November 1991. Even cryptic initials may not suffice, as an East Anglian doctor accustomed to writing NFN on the records of some of his patients has discovered. Baroness Hollis of Beilham, who served on the regional health authority, has disclosed that they meant "normal for Norfolk".

The Jewish Chronicle, organ of the Jewish community of Britain, is 150 years old next year. This week it has rather a sad front page headline: "World turns on Shamir." But there is also some pleasant news: the paper has decided to mark the 150th anniversary by endowing a Chair of Jewish Studies at University College, London, itself founded in 1826.

Being the first secular institution of higher education in Britain, UCL earned itself the nickname "the Godless institution of Gower Street." Yet perhaps because of its indepen-

dence, it appointed a professor of Hebrew as early as 1829. Today, it has faculties of both Hebrew and Jewish studies, serving a considerable body of students.

The Jewish Chronicle is privately owned and tries to steer an independent line between fractions religious denominations and warring political positions. The chairman of its board is the City solicitor Ellis Bird, husband of Baroness Bird, and the paper has a circulation of about 50,000.

The 250,000 endowment to University College could be a shrewd move. Keeping up Jewish studies should help to ensure a steady readership well into the next century.

## Mandela flair

Nelson Mandela has commercial as well as political instincts. At a dinner in his honour in Toronto last week, Brian Mulroney, the Canadian Prime Minister, announced that Ottawa would donate "5m dollars" to help returning South African exiles and political prisoners. The dollars were



denied, it appointed a professor of Hebrew as early as 1829.

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## Can I help?

A reader visiting the Grosvenor House Antiques Fair says that he finally dealt with the officious English phrase "Can I help you?" by saying: "If you knock a nought off all your prices, we can start talking."

## Bally games

Eastern Europe is about to be introduced to risk-taking. The Chicago-based company Bally Manufacturing, Inc., signed a deal with Ham-Electronic of East Berlin to distribute its gaming machines throughout what used to be known as the Communist area. Bally is a world leader in such machines and has four casino hotels. Ham-Electronic will be marketing a Bally wall-mounted slot machine around eastern Europe and the Soviet Union.

## Centipedes

The insects were playing a friendly football match with the animals. At half-time the animals had scored 20 goals and the insects none. In the second half a centipede joined the game and started scoring with all his feet. Soon the score was 50 to the insects and still only 20 to the animals. Afterwards an elephant asked the centipede why he had not played in the first half. "Because it took so long to put my boots on."

## Champagne of the Season

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# FINANCIAL TIMES

Tuesday June 26 1990

**PLUMB CENTER**  
**WOLSELEY plc**  
*The name behind the name*

## Olympian task of filling Canary Wharf

David Lascelles watches the comings and goings at Europe's biggest building site

CANARY WHARF, the large commercial development under construction in London's Docklands, yesterday gained one big tenant, but lost another.

American Express, the US travel and financial services group, announced plans to locate its new European headquarters on the 71-acre site, occupying 300,000 square feet.

However, Merrill Lynch, the US brokerage firm, said it had decided to cancel earlier plans to take space after failing to reach agreement with the developers.

The announcements leave the amount of space so far taken up at just over 2m square feet, or about one fifth of the total 10.4m planned.

Mr James Robinson, American Express chairman, said the new headquarters "will give us the flexibility to accommodate our future business plans while substantially containing real estate costs."

The new headquarters will house American Express International, which includes travel-related services, American Express Bank and Consumer Financial Services, as well as subsidiaries such as Boston Safe Deposit & Trust Co and Acuma, a financial planning firm.

But the largest proportion of space will be taken by Lehman Brothers International, the group's investment banking arm which is currently located in Broadgate in the City of London.

Altogether, American Express will move about 1,500



staff from six buildings to Canary Wharf in May 1992.

Mr Michael Dennis, managing director of Olympia & York, the Canadian developers of Canary Wharf, said: "Today's announcement together with the tenants to date clearly demonstrate the depth of demand for space of the quality to be found at Canary Wharf."

He said O&Y now had "anchor tenants" for six of the first eight buildings under construction, and by the end of the year it would have major tenants for the two remaining buildings being built under phase one.

Merrill Lynch had signed up for 240,000 square feet. But a spokesman said last night that the company had been unable

to reach agreement with O&Y "on terms that would meet our various business needs". He declined to elaborate. O&Y has offered to put new proposals to Merrill in an effort to persuade it to change its mind, and Merrill said it was willing to consider them.

The American Express deal was the second in less than a week following the agreement by Manufacturers Hanover, the US bank, last Friday to take up 200,000 square feet. The venture - the largest of its kind in Europe - is still therefore making net progress.

The new lettings add some credibility to a project which has to fight a constant battle against the sceptics. But they also make earlier letting agreements more secure. As Mr

Andrew Walker, property market analyst at BZW, the British investment bank, pointed out yesterday, firms which agreed to take space when the project was in its infancy had let-out clauses if insufficient space was let.

There was speculation yesterday that the recent flurry of lettings might be due to the fact that O&Y was approaching deadlines to satisfy the requirements of earlier leases that a certain proportion of the project be let by now.

Nonetheless, the precise terms on which companies are taking space at Canary Wharf remain shrouded in the same mystery as Olympia & York like to cover their own affairs. This has given currency to rumours - always denied by

the company - that potential tenants were being given enormous inducements to sign up.

There was no indication of the terms or cost of American Express' agreement, or whether it included grace periods. Nor would the company say whether Olympia & York had agreed to assume responsibility for American Express' existing leases in London. This is common O&Y practice, and was used when American Express agreed to become an early tenant in O&Y's huge development of Wall Street, the World Financial Centre.

O&Y would only say yesterday: "We shall be working with American Express to dispose of their leases."

Although O&Y's publicity refers to "amount of space taken", some of the companies have only signed letters of intent which do not bind them to take up a tenancy contract.

The continuing doubts about the project centre on a number of points. One is the state of the Docklands themselves, which will be a massive construction site for most of this decade. Another is Docklands' notorious transport and access problems. Although these are being addressed, the key underground rail link is not due to be opened until 1996.

But a further point is that all the major tenants so far have been American. Although O&Y have been knocking on every door in the City of London, they have so far been unable to persuade any large domestic institution to move there.

## Caterpillar stops in its tracks

Caterpillar was tempting fate when it decorated the cover of its last annual report with a picture of one of its earth-movers building an airport near Osaka. Behind yesterday's gloomy profits warning from the second largest US exporter, after Boeing, lay a number of factors; but Japan loomed large amongst them. Recession in Brazil, a weak construction market at home and delays in finishing a plant modernisation programme have all taken their toll, to the point where Caterpillar expects earnings per share this year to be well below 1989's \$4.80, itself well down on 1988's \$6.07. But of much wider relevance is the further evidence of how hard an uphill struggle US capital goods companies are having against their Japanese rivals, in Caterpillar's case its arch-enemy Komatsu.

A large part of the problem for Caterpillar has been the near-30 per cent strengthening of the US dollar against the yen since the latter part of 1988. The company depends on exports for 83 per cent of sales. But Caterpillar has also had to invest heavily to stay competitive with Japan: since 1986, capital expenditure has totalled \$2.7bn, plus another \$1.7bn of research and development spending. Caterpillar's long-term debt is now \$1.8bn. It is in the same boat in this respect as other US capital goods companies such as Cincinnati Milacron and Cummins Engine, which have been finding it tough to generate any earnings momentum.

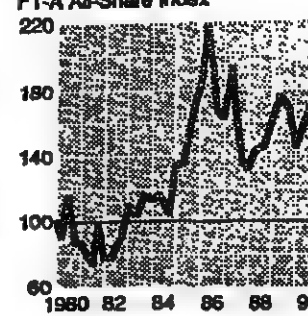
Caterpillar's warning is also a reminder of the shaky foundations of the Wall Street rally which has taken the Dow Jones to the 2000 mark. For the likes of Coca-Cola or Procter & Gamble, 1990 may look better than expected; but construction-related stocks like Caterpillar are looking exposed.

### Gilts

The UK equity market began the new account in good form; but if it is to maintain its momentum it will need the continued support of the gilt-edged market. Since the two markets turned at the end of April, the FT-SE 100 has risen by 14 per cent and long bond yields have fallen by 140 basis points. In the near term, gilts will probably take their lead from sterling; after the 5 per cent appreciation in the currency there could well be some profit taking, unless the ERM rumour machine can somehow be cranked up yet

### Siebe

Share price relative to the FT-A All-Share Index



again. UK institutions are wary of selling into an illiquid market and foreign investors are waiting for a firmer commitment on EMS entry. But in real terms, UK bond yields of under 4 per cent do not look particularly attractive.

### Siebe

Yesterday's 5 per cent drop in the Siebe share price, while perfectly understandable, could be a touch hasty. The \$650m Foxboro deal may or may not be dilutive; but it also fits closely to the Siebe formula. This will be the fourth substantial US acquisition in four years, all broadly in the area of industrial controls. And though Foxboro is in much worse shape than its predecessors, Siebe has bought and turned round loss-makers before, such as CompAir in 1986.

That said, Foxboro's history is gruesome. It has made cumulative pre-tax losses over the past five years of over \$100m. On several occasions it has passed its dividend. Nevertheless, says Siebe, there will be no dilution. Assuming a full year interest cost of some \$65m, this would involve Foxboro moving abruptly from an operating margin of almost 11 to 11 per cent. This is a couple of points lower than Siebe's own margin but how the trick is to be done so swiftly is not made clear.

The longer term case is that Foxboro has spent heavily on a new generation of process controls which - despite an awkward history of not working properly - are supposedly states of the art. Siebe is thus buying a development company with an established brand name, the end result being a US-based controls business with sales of \$1.5bn, or almost 65 per cent of the total com-

pany. And for once, it is to be done without Siebe upsetting the market with cash calls.

The UK market, that is. Seduced by the claims of its advisers that the US business would sell on 15 times earnings instead of the 9 times the whole group fetches at home, Siebe is planning some kind of US fund-raising. But as ETR has apparently found, this kind of thing is easier to talk about than to do. And from the viewpoint of the existing shareholders, when your company is shelling out the kind of money Siebe is paying for Foxboro, there is much to be said for the pressure of the banks as a financial discipline.

### Canada

The initial muted reaction in the financial markets to Canada's constitutional crisis may be the lull before the storm. But it could also mean that markets are better than the domestic politicians at judging the economic consequences of an affair which is likely to drag on for a long time to come. Politics obviously have a part to play in assessing any country's credit risk; but then Canada's near 10 per cent real interest rates provide a considerable cushion.

Whatever happens to the Canadian political system, it is hard to see the result damaging the long-term prospects of blue-chip Canadian companies like Seagram, Northern Telecom, Alcan and Inco. The rising political worries have long since been discounted in the bond markets, where Canada is having to pay a substantial premium for foreign funds. Its core inflation rate is little different from the US, yet the spreads between US and Canadian Government paper are at near record levels. In the short term at least, the course of local interest rates and the currency will have a far more material influence than the bickering between the local Canadian politicians.

Canada's attractions to foreign equity investors as a cheap way into the North American market are likely to remain intact whatever the outcome. However, the currency remains the big worry. It has appreciated against the US dollar on the back of the high interest rate policy and is now over-valued by almost any criterion. But the economy is flat and the pressure to avert a recession is growing. At some stage Canadian interest rates will have to fall. This will be the real test for the currency.

## East Berlin opposes power takeover plan

By David Goodhart in Bonn

A PROPOSAL from West Germany's three main power utilities to take a controlling stake in the East German power supply industry has run into opposition from the East German Volkskammer (parliament) and from the West German Cartel Office.

The proposal from RWE, Preussen Elektra (part of Veba) and Bayernwerk, which was due to have been signed tomorrow, could turn into another competition policy test case for the East German economy and a tense political battle between a host of institutions in the two Germanys ranged on different sides of the argument.

The West German utilities confirmed yesterday that talks had been going on "at the wish of the East German Government" and Mr Hermann Kerk, an official of Preussen Elektra, said that an investment "in the two-figures billions of D-Marks" had been discussed.

According to press reports the three utilities want to take over East Germany's 13 regional electricity suppliers and the electricity net but want to avoid responsibility for liabilities arising from environmental damage and for the country's nuclear plants. About 80 per cent of electric-

ity currently comes from burning highly-polluting brown coal (lignite), a share which may even rise slightly after the decision to phase out all four of the existing reactors at the Greifswald nuclear reactor.

The East Germans have until 1996 to bring their emission controls up to West German levels, but the East Berlin Environment Ministry, which along with the East Berlin Cartel Office appears to have approved the deal with the utilities, wants to move faster if possible.

RWE is already building a DM500m de-sulphurisation plant for the brown coal plant at Thierbach, near Leipzig, and Preussen Elektra and Bayernwerk are building small power stations at Rostock and Lübeck for East German supply. The companies have, however, now made it clear that they want a large equity share in the East German system, in return for pumping in new investment and technology.

The West German Economics Ministry shares many of the reservations of the Cartel Office and has proposed a far more competitive electricity supply system for East Germany.

## Food price rises prompt riots in Zambian capital

By Mike Hall in Lusaka

ARMED Zambian police fought running battles in the capital Lusaka yesterday with thousands of stone-throwing students and shanty town residents who were protesting against the doubling of the price of maize meal last week.

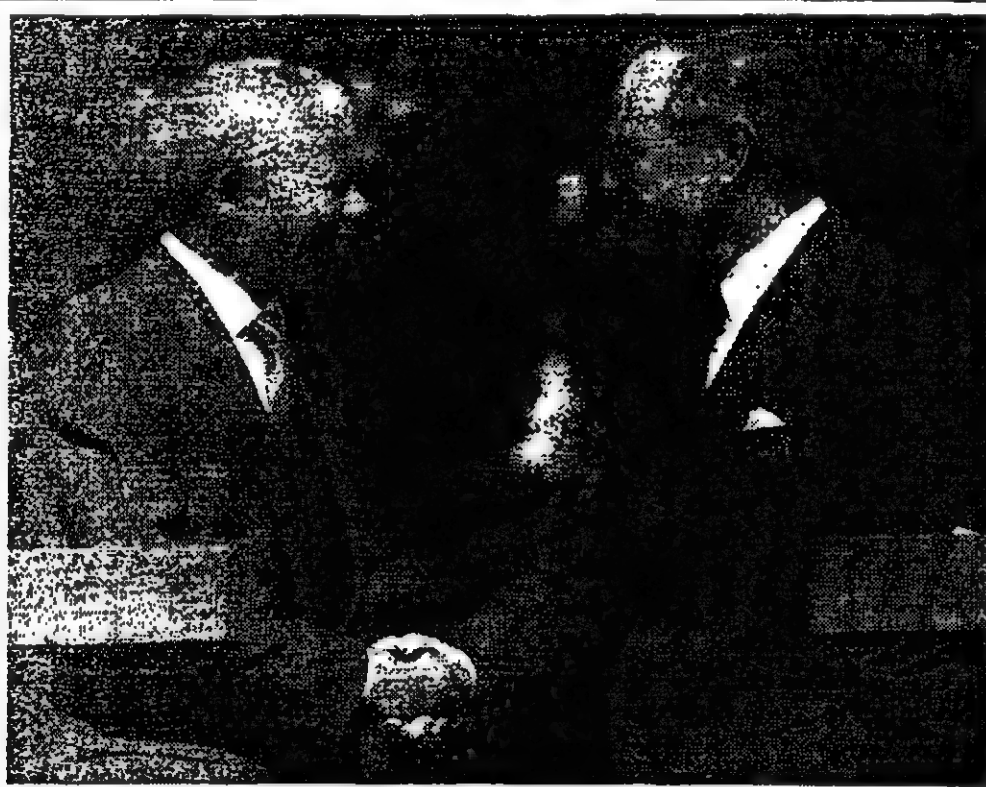
Police sealed off the city centre after demonstrators began looting shops on Cairo Road in the heart of the business district.

Bursts of automatic gunfire rang out over several impoverished settlements in eastern Lusaka and tear gas swept through side streets as police tried to disperse rioters for most of the day.

Residents in one area said they had seen two people shot, but did not know whether they

had been killed or injured. Other witnesses claimed to have seen a policeman killed. Scores were injured after being kicked and beaten with truncheons by police and paramilitary forces. Many others were arrested. State-run shops were looted in some areas, while others closed amid fears that the rioting would spread.

The fighting poses one of the most serious challenges to the authority of President Kenneth Kaunda since he took office in 1981 and threatens to undermine the Government's economic recovery programme. The cut in subsidies is part of IMF-approved economic reforms launched last year. Reforms at risk, Page 7



President Bush (right) greets Nelson Mandela at the White House yesterday

## Bush and Mandela move closer over S African armed struggle

By Lionel Barber in Washington

PRESIDENT George Bush and Mr Nelson Mandela, deputy president of the African National Congress, yesterday narrowed their differences over the use of violence to end apartheid in South Africa.

Mr Mandela stopped short of meeting US demands for a renunciation of the armed struggle, but he revealed that the ANC was ready to announce a "cessation of hostilities" if, as expected, the next round of talks with President de Klerk of South Africa proved successful.

The Bush administration welcomed Mr Mandela's remarks and said the two leaders had reached a greater understanding on other issues including sanctions, the need for financial aid to the ANC, and the course of future negotiations with Pretoria.

The violence issue threatened to mar yesterday's two-hour White House meeting, the high-point of what has so far been a triumphant 12-day tour of the US for Mr Mandela.

Today, the 71-year-old black leader addressed a joint session of the US Congress.

In his opening remarks, Mr Bush invoked Dr Martin Luther King, the slain civil rights leader and called on all parties in South Africa to end violence. The US was looking for "a clear and unequivocal commitment to negotiations leading to peaceful change."

Mr Mandela gave an ambivalent response, reserving the right to pursue the armed struggle while making clear that the ANC would not use violence as long as negotiations continued with the South African government.

However, in words which US officials later described as "significant," Mr Mandela added: "We are also addressing ourselves to means and methods of helping Mr de Klerk to maintain his position with confidence and go ahead with the negotiations."

At a news conference, Mr Mandela explained that the ANC was prepared to suspend

all violence if, as expected, agreement was reached with Pretoria removing the remaining obstacles to full negotiations on a new multi-racial constitution for South Africa.

These obstacles included the release of political prisoners, full lifting of the state of emergency, and the return of 20,000 South African exiles, as well as the repeal "repressive legislation" which Mr Mandela conceded could not happen immediately.

If these conditions are fulfilled, the Bush administration would be in a position to modify or suspend economic sanctions imposed by the 1986 Comprehensive Anti-Apartheid Act. If the ANC announced the suspension of violence, it could be eligible for a portion of \$10m of US aid set aside for black groups in South Africa.

Mr Mandela has made the maintenance of sanctions a top priority of his US tour, arguing that any premature move would undercut the ANC's bargaining position with Pretoria.

## Move to block Bonn truck tax

By Tim Dickson in Brussels

THE European Commission yesterday underlined its determination to stop West Germany imposing a controversial tax on foreign trucks from the start of next month.

In a move which took many observers by surprise, Brussels said it was pursuing an accelerated legal procedure in the European Court which could be heard as early as this week.

At issue is the legality of a tax set at between DM2,000 (\$1,190) and DM9,000 a year which will be levied on all trucks entering the Federal Republic from 1 July. Approved virtually unani-

mously by the German Parliament, it has been justified as being little different to the page payments which France, Italy and Spain charge motorists for using their best motorways.

The Commission, however, maintains that the tax poses a grave threat to the idea of a common transport policy and discriminates against non-Germans because of the way local lorry owners will receive an equivalent reduction in their national road tax.

Failure to stop Bonn would also be seen as a serious setback in the battle to lift border

controls by the end of 1992.

EC officials say the application for an instant injunction, which could be granted before West Germany has had a chance to put its written case, is necessary because of the fast approaching deadline.

There is considerable concern at the prospect of border disruption if confused or unwilling hauliers refuse to pay.

The Germans, adamant in the face of fierce pressure from their powerful domestic road transport lobby, say they are prepared to continue to lobby which break the new law.

WORLDWIDE WEATHER									
Locality	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Adana	25	10	Partly	25	10	Partly	25	10	Partly
Athens	25	10	Partly	25	10	Partly	25	10	Partly
Bombay	25	10	Partly	25	10	Partly	25	10	Partly
Buenos Aires	25	10	Partly	25	10	Partly	25	10	Partly
Calcutta	25	10	Partly	25	10	Partly	25	10	Partly
Chennai	25	10	Partly	25	10	Partly	25	10	Partly
Colombo	25	10	Partly	25	10	Partly	25	10	Partly
Dhaka	25	10	Partly	25	10	Partly	25	10	Partly
Delhi	25	10	Partly	25	10	Partly	25	10	Partly
Disburg	25	10	Partly	25	10	Partly	25	10	Partly
Frankfurt	25	10	Partly	25	10	Partly	25	10	Partly
Geneva	25	10	Partly	25	10	Partly	25	10	Partly
Hamburg	25	10	Partly	25	10	Partly	25	10	Partly
Heidelberg	25	10	Partly	25	10	Partly	25	10	Partly
London	25	10	Partly	25	10	Partly	25	10	Partly
Madrid	25	10	Partly	25	10	Partly	25	10	Partly
Munich	25	10	Partly	25	10	Partly	25	10	Partly
Nuremberg	25	10	Partly	25	10	Partly	25	10	Partly
Paris	25	10	Partly	25	10	Partly	25	10	Partly
Rome	25	10	Partly	25	10	Partly	25	10	Partly
Stuttgart	25	10	Partly	25	10	Partly	25	10	Partly
Toronto	25	10	Partly	25	10	Partly	25	10	Partly
Washington	25	10	Partly	25	10	Partly	25	10	Partly
Zurich	25	10	Partly	25	10	Partly	25	10	Partly

## Caparo Group Limited

has sold its

## Armstrong Spring Division

to

## Alleward Industries S.A.

The undersigned acted as financial adviser to Caparo Group Limited in this transaction.

## Dillon, Read Limited

June 1990

John Smith







## INTERNATIONAL COMPANIES AND FINANCE

## Dairy Farm to acquire Woolworths (NZ) chain

By John Elliott in Hong Kong and Dal Hayward in Wellington

DAIRY FARM International, a retailing and wholesaling offshoot of Hong Kong's Jardine Matheson group, has agreed its second international takeover in six weeks by saying that it is to acquire Woolworths (New Zealand) from Lion Nathan, New Zealand's largest brewing and hotel group.

It will pay some NZ\$200m (US\$125m) cash for the company. Woolworths is New Zealand's leading supermarket chain, with 62 stores, and meat processing and distribution plants.

In mid-May Dairy Farm announced a US\$125m cash takeover of Spain's leading Simago chain of 107 stores from Grupo March. This was its first entry into continental Europe and its first controlling stake outside the Asia-Pacific region. In the UK it has a 25 per cent stake in the Kwik-Save group.

Lion Nathan invited tenders for Woolworths last month. It is building up cash reserves to back its bid for the Australian brewing interests of Mr Alan Bond's debt-strapped Bond Corporation. Mr Douglas Meyers,

Lion Nathan chief executive, said yesterday he expected to acquire the Swan, Castlemaine XXXX and Toohey's operations before Christmas.

Bond is attempting to transfer the units to Bell Resources, an independently managed offshoot. The proposal by the New Zealand brewer is understood to involve buying the 20 per cent stake in Bell Resources now held by the Adelaide Steamship investment company.

The New Zealand group is the product of a merger three years ago between the Lion Nathan and Nathan, the retail group which owned Woolworths. The chain is unrelated to the British, US and Australian outlets of the same name.

Mr Owen Price, Dairy Farm managing director, said the takeover in Europe and Australasia were logical despite their wide geographical spread. The Spain acquisition took Dairy Farm into Europe, where it wanted to expand ahead of the creation of the single market in 1992, while New Zealand's Woolworths complemented Dairy Farm's existing 190

Franklin's supermarkets in Australia. They also had considerable growth potential.

Dairy Farm had been influenced by a trade agreement between Australia and New Zealand which would help the development of both businesses. Woolworths would also give Dairy Farm its first sourcing base in New Zealand for meat and dairy products.

Within the Asia-Pacific region, Dairy Farm operates 711 outlets including Wellcome supermarkets and other stores in Hong Kong and Taiwan.

Last month, Dairy Farm, which is listed in Hong Kong and domiciled in Bermuda, listed its shares in London and Luxembourg as part of its internationalisation programme ahead of Hong Kong's return to Chinese sovereignty in 1997. It said then that 60 per cent of its assets were outside Hong Kong.

Four stores and a distribution centre owned by Lion Nathan are to be transferred to Woolworths before the deal is completed, bringing the company's net assets to approximately NZ\$104.2m.

## St Laurent forecasts rise of 18% in profits

By George Graham in Paris

YVES Saint Laurent, the fashion and perfumes business floated on the Paris stock exchange last year, is forecasting an 18 per cent increase in net profits this year to FF2,655m (\$47m).

The company, which comfortably beat its flotation forecast with net profits last year of FF2,245m, expects to suffer this year from the effects of the weaker dollar and yen on its sales, but has covered some of its foreign exchange exposure and expects also to benefit from lower expenses.

Mr Jean-François Bretelle, group managing director, said sales were expected to advance 8 per cent this year to FF3,5m, 3 per cent less than would have been achieved at constant exchange rates. Operating profits would rise slightly more slowly to FF590m, partly because Saint Laurent had bought its largest Rive Gauche franchise store, on Paris's Rue du Faubourg St Honoré.

"This increases our sales volume in an activity which does not have a 70 per cent profit margin, unlike our houses," Mr Bretelle said.

The perfumes division, which accounts for 73 per cent of profits and 83 per cent of sales, made FF403m operating profits last year, while the couture division, whose earnings come principally from licence fees, made FF134m.

Mr Pierre Bergé, Saint Laurent's chairman, said the group planned to develop a less expensive line of women's wear, to complement the Rive Gauche line.

In the perfumes division, Saint Laurent plans next year to relaunch its oldest women's perfume, Y, in a new package.

Mr Bergé rejected criticisms of Saint Laurent's unusual limited partnership structure, which protects it from takeover and which some analysts have felt to be responsible for the recent underperformance of its share price. "You must take me as I am, that is to say in limited partnership," he said.

## Elders takes A\$500m loss on asset sale

By Bruce Jacques in Sydney and Dal Hayward in Wellington

ELDERS IXL, the troubled Australian brewing conglomerate, yesterday reached a key stage in its asset disposal programme by agreeing the A\$623m (US\$487m) sale of its controlling stake in Elders Resources NZFP.

However, the sale to Carter Holt Harvey, the New Zealand forestry group, will net Elders a loss of about A\$500m on the book value of Elders Resources.

It will create New Zealand's third biggest company, with total assets of about NZ\$2.5bn (US\$1.45bn), and brings the value of assets sold by Elders in the past year to almost A\$1.5bn.

Mr Peter Bartels, Elders IXL chief executive, said yesterday the sale represented an important step in the company's plan to become a single-purpose brewer.

The deal reverses the trend since the 1987 stock market crash which has seen many New Zealand companies acquired by Australian industrial groups. Elders Resources NZFP includes the former NZ Forest Products, once New Zealand's largest company. It suffered from disastrous investments at the time of the crash.

Carter Holt Harvey, with assets of NZ\$2.5bn and turnover last year of more than NZ\$1.4bn, in addition to extensive forestry operations is also heavily involved in paper and pulp, fishing and building materials.

Four years ago it expanded into Chile, where its interests in energy as well as fishing and forestry contributed a third of the group's net profit of NZ\$175m in its latest year.

Mr Bartels said the loss on the Elders Resources sale was

broadly in line with expectations. "While this and other writedowns will obviously affect this year's profit result for Elders IXL, we are confident that our brewing operations will continue to perform well and provide strong ongoing profits," he said.

He said that Elders Finance, the group's financial services subsidiary, had also reduced its total assets from A\$50m to less than A\$30m in the past year and that this programme was continuing.

Carter Holt Harvey has agreed to buy a 52.7 per cent interest in Elders Resources, which includes a stake of about 13 per cent held by a joint venture company between Elders IXL and Fletcher Challenge, New Zealand's biggest company.

Elders Resources is to sell its minerals assets, which mainly involve Oakbridge, the New

South Wales coal producer, and a mining finance and services operation. That will leave little besides forestry. Mr Geoffrey Lord will stay on as its chief executive.

Mr Richard Carter, chairman of Carter Holt, said that a new holding company for the combined group would be set up under a scheme of arrangement. Carter Holt shares would be valued at NZ\$3 and Elders Resources NZFP at NZ\$2.

The overall price for the transaction will be adjusted, depending on the price achieved for the resources assets. Elders IXL will receive A\$414m on settlement, with the rest due as the minerals assets are sold.

Approvals for the transaction are needed from New Zealand's Commerce Commission and Australia's Foreign Investment Review Board.

## A campaign for global expansion

Alice Rawsthorn on the ambitions of a top French advertising agency

There are *trompes l'oeil* dotted around the blue and grey offices of RSCG in Paris. There is a seascape in the foyer and a landscape in the office belonging to Mr Bernard Roux, the chairman.

It is from this office that Mr Roux has mapped out a strategy to turn RSCG, one of the largest French advertising agencies, into an international company with interests in every area of marketing.

Traditionally RSCG, and the other large French agencies - Publicis, Eurocom and Boulet Dru Duguy Petit - have concentrated on the domestic market. But in the last year or so they have been moving into other countries.

So far this year RSCG has bought two London-based businesses: Conran Design Group and KLP, the sales promotion consultancy. It is now about to conclude negotiations to buy another design business, this time in the US.

As Mr Roux is aware, RSCG has a long way to go before it can join the ranks of the global marketing services groups: WPP and Saatchi & Saatchi of the UK, or Omnicom and Interpublic of the US. Over the next year it should become clear whether it will succeed.

The world of international deals and counter deals is a long way from RSCG's roots in the Paris of the late 1960s. It was one of the dozens of agencies formed after its *début* in May 1968. "It was a time when independence was important," said Mr Roux. He and his partner, Mr Jacques Séguéla, broke away from an agency to begin their own business.

The RSCG of today has retained some of the spirit of 1968. It is best known in France for Mr Séguéla's cerebral tones on advertising and for his role as media adviser to President Mitterrand. His big break came in 1976 when it won the account for Citroën cars. Until then it had worked with several large French companies, but Citroën offered an opportunity to expand outside France.

Its early attempts at international expansion were startlingly unsuccessful. It began in 1982 by buying a Belgian agency. Two years later the agency flopped and it had to acquire another. The same thing happened in Spain. And in West Germany RSCG bought one agency, only to have to relaunch it.

"When you move into a new country it is difficult to know what to do and sometimes the only way to learn is by making mistakes," said Mr Roux.

RSCG has since expanded its networks and now owns agencies - mostly associates - in almost every European country.

RSCG has top 10 agencies in France, Belgium, Spain and Italy. It is, however, still a small player in the UK and West Germany, the largest European markets, and in the US, where it owns middle-sized agencies in New York and Chicago.

It has been involved in other areas of marketing - public relations, sales promotion, design and direct marketing - in France for the past five years. The acquisitions of Conran and KLP are intended to provide a platform for expansion into other countries. Conran has an office in

Hong Kong. KLP owns sales promotion companies in the US and Europe.

RSCG made almost half its pre-tax profits of FF9.3bn outside France last year. It made less than a quarter of its profits outside advertising. The aim is to increase these contributions steadily by increasing the group's international interests.

The rationale for RSCG's expansion is the same as that of the other ambitious French agencies. The trend for large advertisers to consolidate their accounts into international agencies is accelerating. Unless the French agencies can offer access to networks across Europe, and possibly the US, they not only run the risk of missing out on new business but also of losing their domestic accounts.

Over the next year or so RSCG plans to expand in the UK, West Germany and the US. It also intends to build European networks in the other marketing disciplines. Whether RSCG will be able to find suitable vehicles remains to be seen. It has been looking for a London agency for more than a year and it does not have enough money to accelerate its growth by buying a big network.

Instead, it will be restricted to a series of smaller placement deals along the lines of Conran and KLP. Some analysts suspect that buying KLP - which had a checkered career on the London stock market - may have been a mistake.

RSCG is understood. Mr Roux believes that there is no future for local agencies and that RSCG will still become an international network, "but only if we move quickly."

## Bids close for Mexican mine

By Richard Johns in Mexico City

BIDS with a minimum price of \$450m were scheduled to be submitted yesterday to the Mexican Government for the purchase of Compania Minera de Cananea, the country's second-largest copper mine.

Several frontrunners have emerged as potential purchasers for Cananea, which the last Administration twice failed to sell in 1988. The privatisation is regarded as a prime candidate for a debt-equity swap.

Among the potential bidders is Mr Jorge Larrea's Grupo Industrial Minera de Mexico. Mr Larrea is understood to be in partnership with Anaconda and Citibank.

Another bidder is Ingenieros Civiles Asociados, the country's largest civil construction company, with Mr Bernardo Quintana Jr. The group is understood to be linked with Cyprus Minerals of the US and Chemical Bank.

## Deckel names new chief to continue restructuring

By Andrew Fisher in Frankfurt

DECKEL, the troubled West German machine tool company which made a net loss of DM45m (\$27m) last year, has appointed a new chief executive to continue the restructuring process which has already led to rising orders and turnover.

The Munich-based company, controlled by the Deckel family, said Mr Peter-Jürgen Kreher would take over on July 1 after leaving the board of Deutsche Babcock, the engineering company.

He will succeed Mr Lell Lundkvist, a Norwegian, who is leaving by mutual agreement. Deckel, one of Germany's largest machine tool concerns, fell into the red mainly as a result of heavy investment in new computer-controlled products.

Its loss in 1989 followed profits of DM2.3m in 1988 and DM7.5m in 1987.

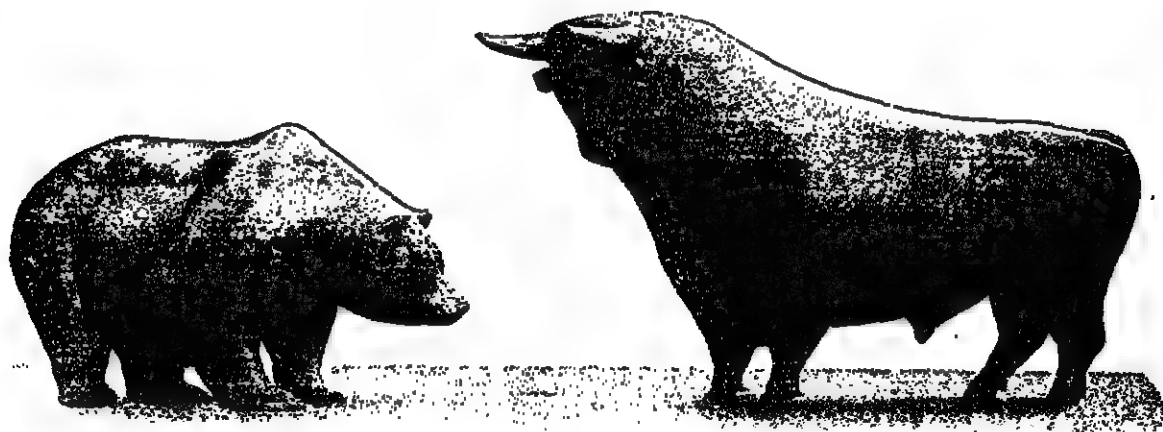
It paid no dividend for 1989 after a cut the year before. Sales last year fell by 15 per cent to DM535m.

The company said orders had risen by 10 per cent in the first five months of 1990, with turnover up by 60 per cent.

Deckel said it hoped this trend would stabilise as a result of the restructuring measures. As well as the cost of improving its machine tools, Deckel has been hit by delays in introducing new products at a time of sharply rising business for the capital goods sector.

Mr Kreher's appointment follows that of Mr Karl-Joseph Neukirchen, chief executive of the Klockner-Humboldt-Deutz engineering group, as Deckel's supervisory board chairman.

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Richard Worrall, Group IT Co-ordinator, Glaxo Holdings plc

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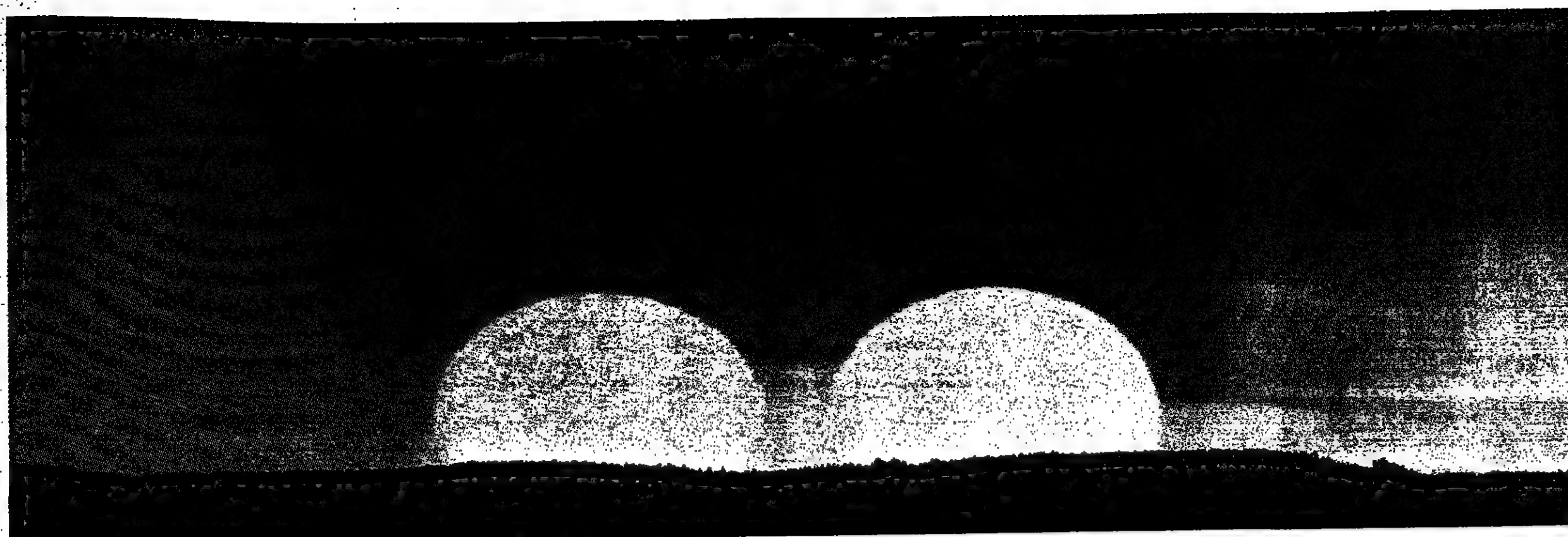
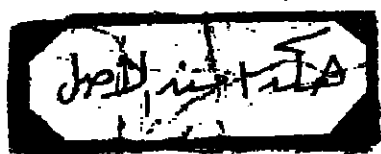
Postcode  Country

Telephone  Fax

Signature  Date

Return these instructions now to Mark Brooks, or place your instructions by telephone or fax.





***The GAN Group increases its capital  
38 % increase in share capital,  
220 billion Francs of assets under management,  
27 % increase in net profit in 1989.***

Combined together under one group, GAN and CIC represent the first European group of Bankassurance. Bringing together the two complementary activities allows the GAN group to exploit the synergies which exist between the banking and insurance sectors of the group and enables all its partners to benefit from this new orientation. Financial results of the group for the year 1989 show a strong growth (net profit: + 27 %; share capital: + 38 %). This has enabled the GAN group to focus its strategy on: - developing all possible areas of business which combine banking and insurance activities, - increasing competitiveness, - developing its presence in foreign and insurance markets. The dawn of a major project.

***L'énergie  
de tous  
les projets***









## INTERNATIONAL COMPANIES AND FINANCE

## Koito braced as Pickens pledges to increase holding

By Stefan Wagstyl in Tokyo

MR T. BOONE Pickens, the Texas corporate raider, and Koito Manufacturing, the Japanese automotive parts maker in which he has bought a 26 per cent stake, have engaged in a week-long battle in advance of the company's annual meeting on Thursday.

Mr Pickens, who arrived in Japan last week, made the first move with the launch of a 38-page press pack recounting details of his campaign since he acquired his first block of Koito shares in March last year. He followed yesterday with a public pledge to increase his holding.

Koito has hit back with a letter sent yesterday to Mr

Pickens and circulated to journalists, detailing alleged inconsistencies in the US tax returns of Boone, Mr Pickens' investment company. Boone retaliated by saying that Koito had looked at the wrong forms. It accused Nomura Wasserstein Ferrell, the Japanese-American corporate finance company which is advising Koito, of "shoddy" research.

"If Koito thought they had found a smoking gun it's blown up in their faces," said Mr Sidney Tassin, an aide to Mr Pickens.

Mr Pickens is seeking to secure the degree of influence over Koito which he thinks he deserves as the largest shareholder. He wants to appoint four directors, pointing out that Toyota Motor, Koito's second largest shareholder with 19

per cent, nominates two. He also wants to inspect Koito's books to look for evidence that Toyota may be putting unfair pressure on its supplier.

Over the year, Mr Pickens has increased his stake from 22 per cent to 26 per cent. He has followed up his demands for access to Koito's records with a legal suit currently before the Japanese courts.

He has also done his best to elevate his battle with Koito into a symbol of US efforts to prise open Japanese markets. Events have played into Mr Pickens' hands, with the US Administration pressing Japan to pursue economic reform in talks over the Strategic Impediments Initiative.

Mr Pickens has won widespread publicity in the US for his eloquent Congressional testimony about the evils of *keiretsu*, the tightly-knit families of suppliers which large Japanese corporations build.

Koito has responded by accusing Mr Pickens of cynically exploiting politics for his commercial ends. The company claims that Mr Pickens is in league with Mr Kituro Watanabe, a Japanese greenmailer, who twice before tried to force Koito to buy back its shares.

Koito says that Boone is not the genuine owner of its shares and is acting as an agent for Mr Watanabe.

Mr Pickens has acknowledged that the shares he holds were bought from Mr Watanabe but he insists he is acting independently. However, he has consistently refused to give details of how his Koito holding is funded or whether

he has a buyback agreement with Mr Watanabe.

Thursday's meeting could be an anti-climax from Mr Pickens' point of view. As last year, he intends to present motions which will probably be voted down.

Nevertheless, the meeting is likely to be noisy, as the reporters following Mr Pickens will attract a large number of *sokaiya*, professional extortionists, who extract bribes from companies by threatening to disrupt their meetings.

Koito is under such intense scrutiny that it will be unable to pay off the *sokaiya*, as many Japanese companies do, for fear of prompting an outcry. But the *sokaiya* will see the chance to perform in front of television cameras as excellent free publicity.



T. Boone Pickens: aims to bombard board with plans

## Malaysian air group's turnover grows by 21.6%

By Our Financial Staff

MALAYSIAN AIRLINE System (MAS), the privatised flag carrier which earlier this year drew official criticism for service standards, showed a 2.6 per cent dip in pre-tax profits to M\$194.1m (US\$71.7m) for the year to March.

Group net profit, however, emerged 43 per cent higher at M\$324.6m. The company benefited from an extraordinary gain of M\$28.5m.

Turnover grew 21.6 per cent to M\$2.31bn. MAS said it expected to continue to perform well during the current year because of encouraging traffic demand.

The final dividend is maintained at 12.5 cents a share.

## Macquarie lifts profits by 43%

MACQUARIE BANK, an Australian banking and financial concern, lifted operating profit after tax for the year to March by 43.1 per cent to A\$49.6m (US\$34m). AP-DJ reports from Sydney.

Hill Samuel of London is Macquarie's largest shareholder with 15 per cent. Mr Tony Berg, Macquarie managing director, said the bank was largely immune to the problems facing most of Australia's financial industry because it had minimal retail lending.

He expected the current year to be difficult, but hoped for a record profit. Macquarie had made several acquisitions and Mr Berg said he expected further expansion opportunities, mostly in Australia.

## Philips inks in an Indian turnaround

David Housego pinpoints the reasons for Peico's return to profit

AT THE Bombay headquarters of Peico, Philips' Indian subsidiary, there is a sense of relief that the company has pulled through its recent financial crisis before the Dutch parent group hit stormy waters.

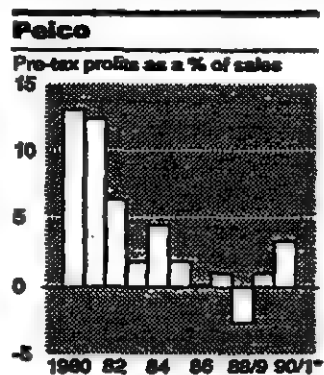
If recovery had been delayed there is little doubt that Peico would now be under strong pressure from Philips' troubled senior management in Eindhoven to sell part of its operations. As it is, Peico - in which Philips has the maximum 40 per cent stake normally permitted to foreign companies in India, and management control - last week reported a sharp turnaround in results.

From an operating loss of Rs164m (\$8.5m) in 1988-89, the group announced a pre-tax operating profit for the latest year to March of Rs54.8m. Turnover rose by only 3 per cent to Rs4.2bn.

With sales of Peico's main products - lighting, audio and video equipment - up by more than a third for the April to May period this year, Philips hopes for a jump of 2.76 times in profits this year to Rs150m.

Peico is seeking to strengthen its long-term position in India through a tie-up with a big local partner. Negotiations are under way with the Tata group, India's largest industrial combine, which Philips hopes will lead to Tata taking a 10 per cent stake in Peico. Such a move would involve no dilution of Philips' holding.

Mr Jan Bergvelt, Peico's Dutch managing director, does



\* Peico estimate

not see Philips' Indian operations as being part of the group's global manufacturing chain because Indian costs, productivity and quality are well below international standards. "We shall be producing local goods for the local market," he says.

For a long time Peico was India's largest consumer electronics company. But since the early 1980s it has suffered from bad management, continuing labour troubles and a product range poorly positioned for the Indian market. Local consumer electronics groups - most notably Videocon which also has about Rs4bn of sales - began to challenge Philips' market leadership.

Mr Bergvelt, who had previously been in charge of Philips' expansion in Taiwan as part of its drive to shift some of its design, development and production to East Asia, was sent to India two years ago to assess the situation.

He initially explored the possibility of spinning off individual divisions and floating them with Indian partners. Mr Bergvelt says that while looking at this option he had no intention of selling off parts of the company. But many industrialists thought this was his aim.

Mr Rahul Bajaj, the head of Bajaj Auto and Bajaj Electrical, says he was approached and he offered to pay a nominal Rs1 for Peico's lighting division - the second largest in the group - because of its problems.

During his first year, Mr Bergvelt set out to clean up the balance sheet. The Rs100m loss in 1988-89 was largely the result of writing off unsold stock and other depreciation charges. But the announcement of it, coupled with rumours that Philips was pulling out of India, led to a liquidity crisis in the company as Peico found supplier credits drying up and inter-company deposits recalled. The Dutch parent thus had to provide a Rs200m bridging loan and assurances that it intended to stay. This year's return to profit is the result of a number of factors.

● Tighter inventory controls have reduced inventory financing by Rs200m, and other sales costs have been cut.

● The replacement of short-term loans by longer-term financing has cut interest charges to 5.5 per cent of sales from 5.6 per cent over the financial year, and should provide more substantial benefits this year.

● The labour force has been reduced by more than 10 per cent from January 1989 to just over 8,000 by this April - thus bringing it back to the same level as that of 1980, when turnover was a quarter of the current size.

With a further cleaning of the balance sheet to take account of provisions for voluntary departures and gratuity payments, Peico ended the financial year with a net profit of Rs32m against a loss over the previous 15-month accounting period of Rs134m. On this Peico announced a largely symbolic 10 per cent dividend.

Two big problems remain. The first is that Peico still has substantial unsold stocks of mainly computers, data processing and telecommunications equipment.

The second is that Peico's large modern TV plant at Calcutta is operating at well below capacity. Compared with a licensed capacity of 100,000 units a year and equipment to produce 70,000, it is only making 30,000.

Part of the attraction for Peico of a tie-up with Tata is the hope that Neelco, that group's consumer electronics subsidiary, will absorb some of the surplus capacity in Calcutta. But more important for Peico, it hopes that such a production sharing arrangement could lead to a long-term tie-up with Tata.

Peico is seeking a partner whose reputation will provide it with easier access to the central Government in Delhi and to whom it could also look if Peico again ran into a liquidity squeeze similar to that of last year.

## Samsung links with Nissan to produce trucks

By John Ridding in Seoul

SAMSUNG, South Korea's largest conglomerate, is to start producing trucks following an agreement with Nissan Diesel of Japan to supply technology.

The company said yesterday that it would invest Won22bn (\$100.1m) next year to build a factory with a yearly capacity of 5,000 trucks. It would produce concrete mixer trucks, dump trucks and other types of large trucks. It said most of the trucks would supply the home market, prompted by the growth in the domestic construction market.

Under the agreement with Nissan Diesel, Samsung will import many of the trucks' components, including chassis. Nissan will later supply the technology for Samsung to manufacture these parts itself.

The agreement has prompted increased speculation that Samsung may try to enter the passenger car industry through a technology agreement with a Japanese company. But a Samsung official said the group was not considering passenger car production.

## Banks to co-operate

MITSUBISHI BANK said yesterday it was co-operating with Citibank, a banking subsidiary of Citicorp of the US, to expand Citibank's Japanese network. Reuters reports from Tokyo.

As a first step, Mitsubishi would rent Citibank about half the space in its Osaka branch office, due to be rebuilt soon, an official said.

## Notice of Redemption

NOTICE IS HEREBY GIVEN to the Holders of the Three-Year Extendible Guaranteed Notes due April 26, 1995 (the "Notes") issued by ITT Financial N.V. ("Issuer") and guaranteed by ITT Financial Corporation (the "Guarantor") under an Indenture dated as of April 26, 1984 (the "Indenture") between the Issuer, Guarantor and Bankers Trust Company, as Trustee, that the Issuer hereby exercises its option to redeem all outstanding Notes on July 25, 1990 ("Redemption Date").

As of April 25, 1990, there remained outstanding less than \$30,000,000 aggregate principal amount of the Notes. Pursuant to the provisions of the Indenture, the Issuer elects to redeem all of the Notes outstanding on July 25, 1990 at a redemption price of 100 percent (100%) of the principal amount of such Notes plus accrued interest from April 26, 1990 of 8.55% per annum to the Redemption Date.

Payment of the principal amount of the Notes and accrued interest thereon will be payable on and after July 25, 1990, upon presentation and surrender of the Notes and all coupons appertaining thereto which mature after the Redemption Date, at any of the following paying agents:

Bankers Trust Company 1 Albany Street New York, New York 10005 United States (Registered Principal & Interest Only)	Bankers Trust Company 1 Appold Street Broadgate London EC2A 2HE England	Bankers Trust Company 12-14 Place-Francis des Champs-Elysees 75386 Paris, Cedex 08 France
Bankers Trust GmbH Bockenheimer Landstrasse 39 6000 Frankfurt/Main 1 West Germany	Bankers Trust S.A. 27 Avenue Monteny Luxembourg	Swiss Bank Corporation 1 Aeschengraben 4002 Basle Switzerland

No payment of principal or interest shall be made by the Trustee in New York City, or by any other paying agent located in the United States of America, in respect of Bearer Notes.

On and after the Redemption Date interest on the Notes shall cease to accrue and the Notes shall cease to be entitled to any benefit under the Indenture.

W. Gervé Gerard  
Managing Director  
ITT FINANCIAL N.V.  
June 26, 1990

The Prudential Insurance Company of America  
U.S. \$500,000,000  
Collateralized Mortgage Obligations  
Series 1986-1

For the period 25th June, 1990 to 25th July, 1990 the Bonds will carry an Interest Rate of 8.525% per annum with an Interest Amount of U.S. \$150,000 per U.S. \$500,000 (the original Principal Amount) Bond, payable on 25th July, 1990. The Principal Amount of the Bonds outstanding is expected to be \$1,262,802,122 of the original Principal Amount of the Bonds, or U.S. \$20,631.40 per Bond until the Forty Third Payment Date.

Bankers Trust Company, London Agent Bank

NOTICE OF EARLY REDEMPTION  
SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS  
FF 500,000,000 11% 1982/2000

In accordance with condition 8 (B) of the terms and conditions of the issue, notice is hereby given that all the outstanding bonds will be redeemed at their principal amount on July 30, 1990.

Payment of the principal amount of the bonds will be made upon presentation of the bonds with coupon No 6 and following attached at the offices of any of the following Paying Agents:

Principal Paying Agent: Banque Paribas Luxembourg  
Boulevard Royal 10 A, L-2003 LUXEMBOURG

Paying Agents: Morgan Guaranty Trust Company of New York  
Avenue des Arts 25, B-1040 BRUXELLES  
Banque Paribas Rue d'Orléans 5, F-75002 PARIS

On behalf of the Issuer  
BANQUE PARIBAS LUXEMBOURG  
June 26, 1990

March 31, 1990

Degussa AG  
Frankfurt

has sold its wholly owned subsidiary

Ferd. Wagner GmbH & Co. KG  
Pforzheim

to the

Management  
of Ferd. Wagner GmbH & Co. KG.

The undersigned acted as  
financial advisor to Degussa AG.

## Salomon Brothers AG

March 31, 1990

Bergmann Elektro GmbH  
Berlin

indirectly held by

Gebr. Röchling  
Mannheim

has sold its wholly-owned subsidiary

Schorch GmbH  
Mönchengladbach

to

AEG Aktiengesellschaft  
Berlin and Frankfurt/Main

a subsidiary of

Daimler-Benz AG  
Stuttgart

The undersigned initiated the transaction  
and acted as financial advisor to Gebr. Röchling.

## Salomon Brothers AG











## Recently acquired Hanimex makes strong contribution in spite of slower sales

## Maxwell plans to buy stake in Turkish daily newspaper

## £10m buy for Reader's Digest

## Ex-Payless chief seeks £4m

**Unilever set to take full control of Swedish group**

## Coal funds extend Globe offer and claim 41.7%

## TV moves rejected by Hanson

## Greig Middleton takes on Stock team

NEWS DIGEST

## Sales at Ratners 20% higher

counts please apply to the Secretary,  
10 Greycoat Place, London SW1P

Dividends shown pence per share net except where otherwise stated.  
 \*Equivalent after allowing for scrip issue. †On capital increased by  
 rights and/or acquisition issues. \$USM stock.

# Koninklijke Verkade N.V.

has been acquired by

**UB (Holdings) Netherlands B.V.**

**The undersigned acted as sole advisor to  
Koninklijke Verkadé N.V.**

**ABN Bank**

**Algemene Bank Nederland N.V.**

June 1990

# Friendly

1989 RESULTS

## HOTELS PLC

**"Another year of all-round progress"**

**PRE-TAX PROFIT UP 59%**  
**BASIC EARNINGS PER SHARE UP 33%**  
**DIVIDENDS UP 24%**

### RESULTS IN BRIEF

	1989	1988	1987	1986	1985
TURNOVER	£7000	£'000	£'000	£'000	£'000
PROFIT BEFORE TAX	26,558	20,921	15,463	6,068	1,596
EARNINGS PER SHARE	5,035	3,171	2,034	781	180
DIVIDENDS	30.0p	22.6p	14.5p	6.2p	2.2p
	3.35p	2.7p	1.8p	1.2p	0.7p

The expansion of the two core businesses has continued according to plan, so that a total of 17 hotels are now operational and the number of Serviced Offices has increased to 14. Others are in the development stage.

The New Connaught Rooms, now one of London's leading banqueting complexes, achieved second profits and is performing particularly well in the current year to date.

Trading so far is very satisfactory in 1990 and another year of growth and progress is confidently anticipated.

## Friendly Hotels

the creators of comfort

For a copy of the latest Report and Accounts please apply to the Secretary,  
Friendly Hotels PLC, Premier House, 10 Greycoat Place, London SW1P 1SE



## UK COMPANY NEWS

Substantial loss incurred from problematic sale to management  
**Saatchi sells US legal consultancy**

By Alice Rawsthorn

SAATCHI & SAATCHI, the communications group which is trying to raise capital to reduce its debts, has sold Peterson, a legal consultancy in Chicago, to its management at a significant loss.

Saatchi has paid a total of \$116m (\$88m) for Peterson since its acquisition in 1987. Yesterday it announced proposals to sell the company - which fell into the red in the first half of the year - for an initial sum of \$2m and royalty payments over 10 years of a minimum of \$20m.

Under the terms of the agreement Saatchi will also meet \$3m of Peterson's liabilities and will forgo \$4.5m owed by Peterson in inter-group subscription payments.

Saatchi will retain assets worth \$2.9m. Saatchi's share price fell by 1 1/2p to 83 1/2p on the announcement yesterday.

The disposal forms part of Saatchi's attempts to sell its management consultancy division in order to concentrate on its original communications companies.

The negotiations - which were begun under Saatchi's old management and are continuing under the new team led by Mr Robert Louis-Dreyfus who joined as chief executive in January - have been fraught

with problems. Saatchi initially hoped to raise a total of \$250m from the disposal and now expects to raise less than \$100m.

The sale of Peterson has been particularly difficult given that under the terms of the original acquisition agreement, its management had the right to veto a change in ownership.

This made it almost impossible for Saatchi to sell the consultancy to an external purchaser.

Peterson's performance has deteriorated dramatically in the past year. It made a pre-tax loss of \$6.5m (after exceptional provisions of \$8m) in the six months to March 31, compared to pre-tax profits of \$8m in the previous full financial year.

The Peterson management attributed this decline to the uncertainty caused by the proposed sale of the business.

Saatchi decided it was preferable to sell Peterson at a loss rather than run the "significant risk" in terms of management and cash resources of keeping the consultancy within the group.

Saatchi also faced the longer-term threat of Peterson ceasing to be viable when the contracts of the present man-



Robert Louis-Dreyfus continuing to sell the consultancy division

agement expire at the end of this year.

Saatchi hopes to conclude the sales of Gartner, a computer services consultancy, and Litigation Sciences by the end of its financial year in September. It would then be left

with MSL in recruitment and CPC in property in its consultancy division. These companies are both suffering from a slump in their markets. Saatchi will probably wait for an improvement before selling them.

**Goodman fails to win control of two Irish dairy co-ops**

By Kieran Cooke in Dublin

IT IS NOT often that events get the better of Mr Larry Goodman, who runs the largest beef processing and exporting operation in Europe and is one of the Irish Republic's richest businessmen.

But at the weekend, Food Industries, the publicly quoted company 70 per cent owned by Mr Goodman, suffered a resounding defeat in its battle to make further inroads into the Irish dairy industry.

Food Industries had made an offer, judged to be worth well in excess of £55m (£45.5m), to merge two co-ops in Ireland's north-east into a new company to be called United Dairies, which would in turn merge with Food Industries' dairy interests.

Food Industries said it wanted to rationalise dairy operations and "change the face of the entire dairy industry in the area". The company offered farmers considerable cash and share benefits. An expensive public relations campaign was launched.

Meanwhile the co-ops concerned announced their own merger plans and, in an increasingly bitter campaign to win the hearts, minds and milk of 4,000 farmer shareholders, portrayed Mr Goodman as big business gobbling up small

rural interests. Food Industries and Mr Goodman were decisively defeated in a weekend vote on the issue.

Mr Goodman has argued that the small Irish co-ops are inefficient and in need of drastic rationalisation if they are to compete with other milk suppliers in Europe.

Food Industries already has control of three Irish co-ops though its access to valuable milk supplies within the EC quota regime remains comparatively small.

Mr Goodman has made no secret of his plans to build Food Industries into one of the main players in European agribusiness after 1992. Privately held companies controlled by Mr Goodman are believed to account for between 40 and 50 per cent of the Irish beef industry. His companies also have a 20 per cent share of the country's grain handling and processing industry.

Mr Goodman described the weekend's events as only a temporary setback. "Milk is mobile, there'll be another day and another way," he said.

Mr Goodman has a 9 per cent holding in Unigate, the UK dairy group, and a 13 per cent stake in Borden International, the sugar and commodities group.

## NEWS IN BRIEF

BM GROUP has acquired Miller Timber Products from the receivers for £1.5m cash.

The business is based in Heston-le-Hole, Tyne and Wear, and occupies a 15 acre site with 160,000 sq ft of covered space. The freehold to the site is included in the purchase.

FIRST PHILIPPINE Investment Trust: Net asset value per ordinary share was 48.1p at April 30 1990. Pre-tax profit for the period from December 12 to April 30 amounted to £272,791.

Earnings per share were 0.55p after tax of 155,477.

NEWMAN TONKS Group announced three transactions. It has paid £350,000 for the Metamec range of electronic and electro-mechanical time switches; paid 250,000 for 49 per cent of a new distribution company in Thailand; and sold

its 75 per cent holding in Legge Zambia for £186,000.

ROCKWOOD HOLDINGS: Riggs Air Agency, international distributor of UK daily newspapers, has reverted back to the management of its original owners following the completion of a management buy-out from Rockwood.

TULLOW OIL says acceptance had been received in respect of 68.8 per cent of the recent rights offer of 31.34m ordinary shares.

WORTH INVESTMENT Trust said it had conditionally agreed to acquire half of the enlarged issued share capital of Opalbrown, a marketing consultancy company. The subscription price is £449,026, to be satisfied by 107,128 new ordinary shares at 55.5p per share.

**AIRPORTS & AIRCRAFT HANDLING**

The Financial Times proposes to publish this survey on:

3rd July 1990

For a full editorial synopsis and advertisement details, please contact:

Ian-Ely Corbett  
on 071-873 3389

or write to him at:

Number One  
Southwark Bridge  
London  
SE1 9HL

FINANCIAL TIMES

**1992 REDRAWING THE MAP OF EUROPE**

The Financial Times proposes to publish this survey on:

2 JULY 1990

For a full editorial synopsis and advertisement details, please contact:

HENRY  
KRZYMUSKI or  
GILLIAN KING  
on 071-873 3699/  
4823

or write to them at:

Number One  
Southwark Bridge  
London  
SE1 9HL

FINANCIAL TIMES

**WHITECROFT**

## GROWTH OF TRADING ACTIVITIES

		For the Year ended 31st March	
		1990	1989
		£'000	£'000
Trading profits	up 17%	17,422	14,866
Pre-tax profits	up 8%	16,549	15,371
Dividends	up 9%	15.0p	13.8p

"High interest rates continue to affect significantly some of our UK markets. However, for the longer term, the considerable growth potential of many of Whitecroft's businesses should be seen on any upturn in the UK economy. The group is also now well positioned to take advantage of specific opportunities in Europe."

Tom Weatherby, Chairman

## WHITECROFT plc

Textiles, Building Products, Lighting, Property Development

A copy of the Annual Report may be obtained from: The Secretary, Whitecroft plc, Water Lane, Wilmslow, Cheshire SK9 5BX. Telephone: 0625 524677.

## INTERNATIONAL CAPITAL MARKETS

The Financial Times proposes to publish this survey on:

2nd July 1990

For a full editorial synopsis and advertisement details, please contact:

David Reed on 071 873 3461

or write to him at:

Number One  
Southwark Bridge  
London  
SE1 9HL

FINANCIAL TIMES

## PIONEER ELECTRONIC CORPORATION

Notice is hereby given to holders of CDRs issued by Pioneer Electronic Corporation N.V., Curaçao, evidencing shares in the above company that the company's convocation notice of the 44th ordinary general meeting of shareholders of common stock to be held on June 28, 1990 may be obtained from N.V. Nederlandsche Administratie van Trustkantoor, N.Z. Voorburgwal 326-328, 1012 RW Amsterdam, and The Bank of Tokyo Ltd, established in Tokyo, Brussels, London, Düsseldorf, Paris and New York.

Amsterdam, June 20, 1990

N.V. NEDERLANDSCH  
ADMINISTRATIE-EN  
TRUSTKANTOOR

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## State Electricity Commission of Victoria

(A Statutory Corporation constituted under the State Electricity Commission Act 1988 of the State of Victoria)

A\$200,000,000 Zero Coupon Guaranteed Notes due 2000

Guaranteed by the Government of Victoria

Issue Price 31.45 per cent.

payable as to 13 per cent. on 17th January 1990

and 19.45 per cent. on 17th July 1990

## NOTICE OF PAYMENT OF FINAL INSTALLMENT

Holders of the above-mentioned Notes of the State Electricity Commission of Victoria (the "Issuer") are reminded that payment of the final instalment of 19.45 per cent. of the principal amount of the Notes falls due for payment in immediately available Australian dollars on 17th July 1990. Accordingly, any such person who is holding Notes through Morgan Guaranty Trust Company of New York, Brussels, Office, as operator of the Euroclear System ("Euroclear") or CedeL S.A. ("CedeL") should ensure that payment of the final instalment in respect of the principal amount of Notes held by him is made to Euroclear or CedeL, as the case may be, to enable it to pay the final instalment to the Issuer on 17th July 1990.

After 17th July 1990 and up to (and including) 31st July 1990, the Issuer is entitled to accept payment of the final instalment of the issue price of any Note. No payment after 17th July 1990 will be accepted by the Issuer unless accompanied by a further payment representing interest accrued at the rate of 14.50 per cent. per annum calculated from (and including) 17th July 1990 to (but excluding) the date of actual payment.

The Issuer may at any time after 31st July 1990, elect not to accept payment of the final instalment, and declare forfeited any partly-paid Notes and shall be entitled to retain the first instalment of the issue price previously paid, and shall be discharged from any obligation to repay such first instalment or interest thereon for any period up to (but excluding) 30th September 1990, the Issuer may itself, in fully paid form at any price, any forfeited Notes, but thereafter it may not do so.

Holders of the Notes are further reminded that neither Euroclear nor CedeL will clear any transaction in the Notes for settlement on or after 17th July 1990, unless such transactions are in fully paid Notes. Furthermore, it will not be possible for Notes in partly paid form to be transferred from Euroclear to CedeL or vice versa after 9th July 1990. Accordingly, as between the parties to any such transaction, it will be for the vendor to ensure that the final instalment on the relevant Note is paid.

30th June 1990

## KOREA INTERNATIONAL TRUST

International Depositary Receipts  
evidencing Beneficial Certificates  
representing 1,000 Units

Notice is hereby given to the Unitholders that Korea International Trust declared a distribution of Won 356,000 per IDR of 1,000 Units payable on June 25, 1990 in the Republic of Korea.

Payments of coupons No 9 of the International Depositary Receipts will be made on July 02, 1990 in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York:

- Brussels, 35, avenue des Arts
- New York, 30, West Broadway
- London, 1, Abchurch Lane
- Frankfurt, 40, Mainzer Landstrasse
- Zurich, 30, Stockenstrasse

The amount of dollars shall be the net proceeds of the sale by the Fund of the won amount to a foreign exchange bank in the Republic of Korea at its "spot" rate on July 02, 1990.

The proceeds of the coupons presented after July 02, 1990 will be converted into US Dollars at the prevailing spot rate of the day following their presentation, and will be distributed to the Unitholders in proportion to their respective entitlements and after deduction of all taxes and charges of the Depositary.

Holders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment of their coupons at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depositary or through one of the designated sub-paying agents a certificate showing their residence together with a copy of the certificate of Incorporation or a copy of the passport for individuals. Those documents are required by the Korean National Tax Administration Office as evidence of residence and without them the full rate of 24.5% per Korean non-resident withholding tax will be retained.

Morgan Guaranty Trust Company of New York  
Brussels Office, as Depositary



# Notice to the holders of PK BANKEN

US\$	74,942,000	11 1/4 %	1983/1990
US\$	74,970,000	12 5/8 %	1984/1991
US\$	42,206,000	11 1/2 %	1985/1992
US\$	50,000,000	FRN	1986/1991
US\$	92,000,000	10%	1986/1993
US\$	50,000,000	9 1/8%	1988/1993
US\$	150,000,000	10 1/4 %	1989/1991
US\$	100,000,000	10 %	1989/1994

Yen	5,000,000,000	FRN	1988/1992
Yen	5,000,000,000	FRN	1988/1992
Yen	10,000,000,000	8 %	1988/1992
Yen	5,000,000,000	FRN	1988/1993
Yen	20,000,000,000	6 %	1988/1995
Yen	10,000,000,000	FRN	1989/1992
Yen	4,000,000,000	6 1/2 %	1989/1993
Yen	2,500,000,000	7 %	1989/1993 (Bull Note)
Yen	2,500,000,000	7 %	1989/1993 (Bear Note)
Yen	5,000,000,000	8 %	1989/1993
Yen	3,000,000,000	7 5/8 %	1989/1994
Yen	2,000,000,000	7 1/5 %	1990/1992
Yen	2,000,000,000	7 7/8 %	1990/1992
Yen	3,000,000,000	8 %	1990/1992
Yen	5,000,000,000	7 1/8 %	1990/1993

AS	47,500,000	13 7/8 %	1985/1991
AS	30,000,000	14 3/4 %	1987/1992
AS	125,000,000	9%	1989/1990

ECU	50,000,000	10 7/8 %	1984/1992
ECU	50,000,000	9 1/8 %	1989/1991

HFL	45,000,000	0 %	1989/1994
DKK	300,000,000	9 %	1989/1994

Notice is hereby given that PKBanken has decided to acquire Nordbanken whereunder Nordbanken will be formed as a subsidiary under the name of Nordbanken. At the same time PKBanken will change its name to Nordbanken with effect from June 6, 1990.

The new corporate name NORDBANKEN will not be stamped on the Bonds, nor will the Bonds be exchanged against new ones. The Bonds will continue to be listed on the Luxembourg Stock Exchange under the former name of PKBanken followed by the new name of Nordbanken on and after the effective date of acquisition.

## IRAN EARTHQUAKE RELIEF FUND

The Muslim Institute, London, has established an "Iran Earthquake Relief Fund". 100 per cent of all donations shall be spent on relief; no deductions shall be made for administrative costs or overheads.

Donations can be made by:

sending cheques or postal orders, made payable to the Iran Earthquake Relief Fund, to Lloyd's Bank plc, Park Lane, London W1Y 4AB; or

direct payment into the Fund's Lloyds Bank account, A/C No: 30-96-44 7195932.

The Muslim Institute

6 ENDLEIGH STREET, LONDON WC1H 9DS. Telephone (071) 586 2281

## UK COMPANY NEWS

# Whitecroft up 8% in difficult trading

By Andrew Hill

WHITECROFT, the industrial holding company, has again warned about the effect of the deteriorating UK economy, despite managing to increase pre-tax profits in 1989-90 by nearly 8 per cent.

Mr Tom Weatherby, chairman, pointed out that the economy had continued its downward trend, with high interest rates affecting some of Whitecroft's markets, which include property, building and lighting products, and specialist textiles. Mr Weatherby was similarly cautious at halfway.

However, profits in the year to March 31 rose from £15.57m to £16.55m before tax and earnings per share were up to 32.4p (31.5p). The final dividend is 10.4p, making 15p (13.8p).

Mr Peter Gould, deputy chairman and chief executive, said yesterday: "We are doing all our planning on the basis that today's interest rates will

apply right through the financial year. There's no doubt that it's dragging down the performance in a number of areas - on the other hand any reduction in interest rates would give us quite a boost."

Mr Gould added that the specialist nature of the textiles business, the north of England bias of the housebuilding division and the long order period for lighting and some of the group's building products offered a measure of protection.

Operating profits rose 16 per cent but were held back at the pre-tax line by an interest charge of £273.30 compared with £506,000 receivable in the previous year.

Whitecroft's building products division suffered during the year, making £2.37m before interest and tax. That compared with £4.1m in 1988-89 before the group sold its build-

ers' merchants operation. Turnover was down from £42.6m to £36.1m.

The textiles division increased profits to £3.67m (£1.51m) on sales of £36.6m (£31.2m), helped by a very strong performance from Bandfabrick Hevater, the Netherlands manufacturing company bought last year.

Lighting made £6.24m (£4.28m) on turnover of £46.6m (£40.1m); and property development produced profits of £5.94m (£5.6m) on sales of £23.3m (£23.3m).

Overall group turnover rose from £137.14m to £141.66m.

### COMMENT

The last time Whitecroft announced results which were not accompanied by one of Mr Weatherby's cautionary statements was in June 1988. In the two years since then, profits have increased steadily. But it

would not be fair to accuse the chairman of crying wolf: it has taken a while for the economic downturn to erode the group's long order books for lighting and building products, while residential and commercial property in the north of England has retained a buoyancy which would be the envy of other developers. Even now it could take time to drain those orders. Being at the end of the cycle at least means that Whitecroft has had time to prepare for a downturn, but gearing has increased to about 45 per cent and this could be the year when profits slow to a halt at £16.5m or £17m. The shares have had a strong run recently, and rose 1p yesterday to 285p. A disaster is unlikely under this prudent management, but Whitecroft stock now looks fairly valued on a prospective multiple approaching 9.



Tom Weatherby (centre) and Peter Gould (right), accompanied by Graham McCardell, the group's finance director.

## Fresh acquisitions give impetus as American Business nears £8.5m

ACQUISITIONS again made their mark at USM-quoted American Business Systems, where record figures were achieved in the year ended March 31 1990.

With the help of the seven businesses acquired, turnover expanded 68 per cent to £88.75m (£22.94m) while pre-tax profits moved ahead 46 per cent to £3.46m (£5.7m).

Through its Danka Industries subsidiary, ABS distributes office equipment and supplies in North America. Said to be the fourth largest independent distributor in the US, Danka has 60 branches spread across 13 states in the south east, mid-west, and north east.

Mr Mark Vaughan-Lee, chairman, said most of the companies bought in the year had been integrated into the

Danka organisation and were making significant revenue and profit contributions. Since the year-end a further four businesses had been purchased.

He said that over the past three years sales had grown from \$30m to an annualised \$170m (£28m). Danka's profits had expanded from \$3m to \$13.5m, and 13 acquisitions had been made.

Earnings rose to 20.7p (13.5p) and the dividend is raised from 2p to 2.4p with a final of 1.6p. From \$50m to an annualised \$170m, Danka's profits had expanded from \$3m to \$13.5m, and 13 acquisitions had been made.

Earnings in the past year rose to 20.7p (13.5p) and the dividend is raised from 2p to 2.4p with a final of 1.6p.

## Cauldon buys J&T arm for £650,000

Cauldon Group, through its Maclog wholly-owned subsidiary, has acquired Delingpole Fasteners, a division of J&T Fasteners, for £650,000 cash.

A placing of 2.14m new Cauldon ordinary 5p shares at 10.5p with institutional investors.

The proceeds of the placing will be used to reduce bank borrowings.

## Allen rises 22% in first USM year

MR DONALD Greenhalgh, chairman and managing director of Allen, said yesterday that the 53 weeks to April 1 had "proved to be a successful first year as a public company."

USM-quoted Allen, with divisions in contracting, plant hire, housebuilding, and property development and investment, reported a 23 per cent rise in pre-tax profits to £4.85m, against £3.97m in the 52 weeks to March 26 1989.

Turnover at this Wigan-based company advanced 43 per cent to £61.94m (£43.41m), with 34 per cent of the operating profits total coming from contracting; 26 per cent from plant hire; 21 per cent from housebuilding; and 7 per cent from property development and investment.

Earnings amounted to 15.42p (14.45p) per share after a tax charge of 30.7 per cent (14.45 per cent). Recommended final dividend of 3.2p makes a total of 4.5p for the year. This represents an increase of 14 per cent on the notional dividend indicated in the prospectus.

The company said it intended to maintain a prudent approach to borrowings, gearing at the year-end was 27.7 per cent (14.3 per cent) - while interest charges were covered 12.8 times (33.57 times) by earnings.

## Unleaded petrol boosts Mirelec

The campaign to include unleaded petrol in most filling stations has led to an active year for Mirelec Group, whose main business is the supply of automation equipment to petrol retailers.

Turnover in the year ended March 31 1990 expanded by 60 per cent, from £11.24m to £17.98m; however, the increase in profit was restricted to 28 per cent, the pre-tax balance working through at £2.1m, against £1.6m.

Mr F.W. Beck, chairman, attributed that to the continuing high development expenditure and a change in the business mix. The latter arose from an increasing proportion of service business and from higher sales of bought-in equipment as part of the aim to sell complete systems in addition to the group's own made products.

Mr Beck said the group's aim was to offer a complete solution to the effective management of petroleum marketing, from distribution terminal to end-user, described as "tank to tank".

Earnings came to 12.07p (8.87p) and the final dividend is 2.8p for a total of 4p (3.3p).

## Grainger Trust falls sharply to £2.78m

Grainger Trust, which has interests in property, property development and hotels, reported a sharp downturn in profits for the six months to March 31.

At the pre-tax level the fall was from £4.16m to £2.78m, although turnover edged ahead to £15.65m, against £15.2m.

Trading profits showed a marginal decline from £10.52m to £10.44m; investment and other income was £91,000 (£172,000) but after deducting property expenses of £3.37m (£3.16m), management expenses of £286,000 (£332,000) and an increase of over £1.5m in interest payable to £6.87m (£7.24m) together with tax of £1.02m (£1.46m), earnings per share emerged at 8.5p (13.5p). The interim dividend is held at 1.2p.

## Cape expands in West Germany

Cape, the fire protection and building products subsidiary of Charter Consolidated, has acquired Siborit, a West German manufacturer of high temperature-resistant industrial products for the steel and aluminium industries.

The consideration is DM8.78m (£3.36m) and Cape said the acquisition would provide it with a modern manufacturing plant "in the industrial heartland of Europe". It is Cape's first acquisition of a manufacturing company in West Germany and Mr Jeffrey Herbert, chief executive of Charter, said it would position Cape as a low-cost producer on the Continent.

## New look Wellman makes £3.3m

In the year ended March 31 1990, Wellman, which makes industrial furnaces, ovens and processed plant, produced a pre-tax profit of £3.33m on turnover of £35.01m. Cadogan Numerical Controls, acquired in November, and took account of businesses sold. In the previ-

ous year reported group profit was £2.87m on sales of £37.2m. The trading profit of continuing businesses at £2.9m showed a 17 per cent increase.

Wellman Process and Wellman Bibby almost doubled profits, the directors said, and overseas subsidiaries and the foundries made useful increases. But Wellman Furnaces suffered a lower profit after further revenue spending to strengthen its technical base and widen markets.

Cadogan's contribution was lower than expected because of a strike at BAE; after the settlement activity levels increased significantly. The order books are similar to that of last year and the directors said they were encouraged by current trading levels.

Diluted earnings in the year were 8.5p (8p) per share and the proposed final dividend is 1.35p (1p) for a total of 2.1p (1p).

## Murray Enterprise net assets lower

Murray Enterprise reported a 15 per cent fall in net asset value per share from 96.7p at September 30 1989, to 83.6p six months later.

Directors said this result was disappointing, but they believed that prospects for a number of unquoted investments were now improving as they became more established in their markets.

For the six months to end-March, this investment trust incurred a loss of £66,009. Directors said the unquoted portfolio valuation had been reviewed in the light of present market conditions and as a result, provisions had been made in respect of certain investments, particularly in the US.

In accordance with the new investment policy, significant new changes had been made in the listed investment portfolio to reduce exposure to technology stocks. Since March 31, the company had focused on investment in European equities.

## Cautious Latham dips to £2.43m

James Latham, the timber importer, merchant and veneer panel manufacturer, suffered a

fall from £2.99m to £2.43m in pre-tax profits in the year to March 31. However, the proposed final dividend is lifted from 6.75p to 7p, to make a total of 11.25p, against 10.75p last time.

Turnover was £4.33m ahead at £63.2m, though trading profit turned out lower at £4.25m (£4.61m). Interest payable rose to £1.1m (£913,000). Earnings were down at 29.13p (38.79p) per share.

Mr Christopher Latham, chairman, said: "We have experienced slow trading conditions during the spring and some of the sectors we serve are working under severe economic constraints. Thus it is very difficult to predict trading results this year."

## Danae Investment NAV unchanged

Danae Investment Trust had an unchanged net asset value of 82.44p per income share at May 31 1990, while the figure per capital share was 58.36p against 52.1p a year earlier. A second interim dividend of 4.575p (4.1215p) is declared for a 7.95p (7.1365p) total, payable from increased earnings per share of 7.97p (7.29p).

Gross revenue was £855,126 (£774,588) and net revenue improved from £514,044 to £562,300, after tax of £195,564 (£181,386).

## Omnitech tumbles £0.74m into loss

Omnitech, the USM-quoted designer of packaging machines and systems, fell £740,000 into the red in the half year to January 31 after writing off £508,000 development costs.

Profits in the corresponding period were £4,000. Turnover increased from £140,000 to £312,000 and the company anticipated that sales in the second half would double over those achieved in the first.

A firm order base would be established, the chairman said, to enable Omnitech to significantly improve its results in the next financial year.

The operating loss amounted to £49,000 (£28,000) profit from which net interest payable took £183,000 (£14,000). Losses per 1p share amounted to 3.99p (0.02p earnings).



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## 1992 REDRAWING THE MAP OF EUROPE

The Financial Times proposes to publish a Survey on the above on

2 JULY 1990

For a full editorial synopsis and advertisement details, please contact:

HENRY KRZYMUSKI or GILLIAN KING

on 071-873 3699/4823

or write to them at:

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FINANCIAL TIMES

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This advertisement is issued in accordance with the regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities. Application has been made to the Council of The Stock Exchange for the undermentioned Stock to be admitted to the Official List. Dealings are expected to commence on Monday, 2nd July, 1990.

## The South Staffordshire Waterworks Company

(Incorporated in England on 4th August, 1853 by The South Staffordshire Waterworks Act, 1853)

### REPLACEMENT ISSUE

on behalf of  
**The South Staffordshire Waterworks Company**  
("the Company")

by  
**Seymour Pierce Butterfield Limited**  
of  
**£1,200,000**

**8½ per cent. Redeemable Preference Stock 1998/2000**

to holders of the Company's

**4.9 per cent Redeemable Preference Stock 1988/90**

(£1,200,000 in issue)

("existing holders")

The Stock has been created by and issued under a resolution of the directors dated 20th April, 1990, pursuant to the powers contained in the South Staffordshire Waterworks Order 1985 as amended under Section 41 of the Water Act, 1945.

The Directors of the Company have arranged for Seymour Pierce Butterfield Limited to place the stock, with existing holders, fully paid for per 100p, June, 1990; at this price, the gross yield on the Stock is £11.33 per cent net and £11.33 per cent to redemption on 1st July, 2000.

Certificates will be posted to Places on 29th June, 1990. Further information is available in the statistical services of Ertel Financial Limited from today and until 29th June, 1990, for collection from The Company Announcements' Office of The Stock Exchange, 46/50 Finsbury Square, London EC2, and until 18th July, 1990, from—

**Seymour Pierce Butterfield Limited,**  
10 Old Jewry, London EC2R 8EA.

28th June, 1990







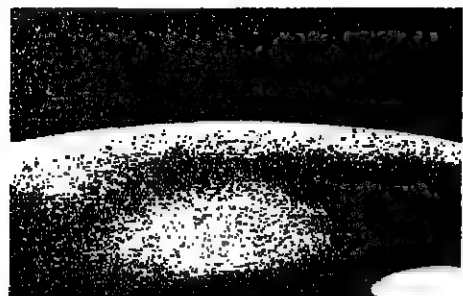
North  
American  
Companies:

# Annual Report Update

1

Part 1 of two-page series appearing June 26th and 27th

Alliance Capital Management L.P.

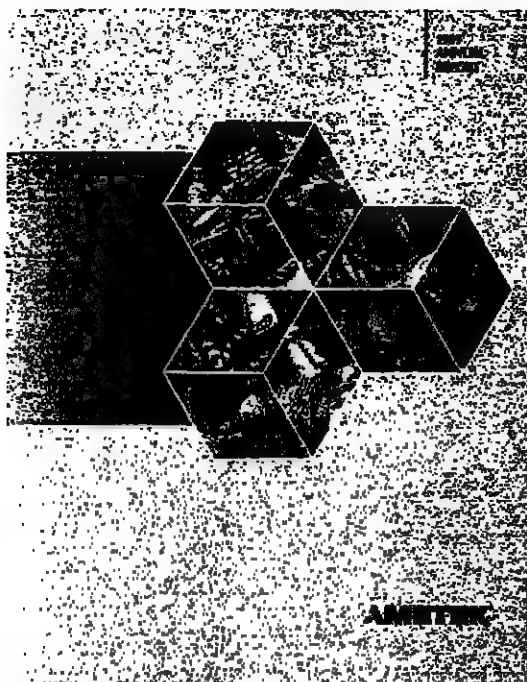


1989  
Annual  
Report

1

## Alliance Capital

Alliance Capital Management L.P. is a registered investment adviser, providing investment management services to institutions—pension funds, endowments, and foreign financial institutions—and to individual investors through a broad line of mutual funds and cash management accounts. Client assets under management exceed \$43 billion.



2

## AMETEK (AME)

AMETEK recorded strong growth last year as it rebuilt its revenue base after spinning off one-third of its business at the end of 1988. In 1989 it increased its aircraft instrument business 200%, added 30% to electric motor manufacturing capacity, while export sales, especially its drinking water filter systems, were up more than 20%.

Sales for the year gained 13% to \$588 million, with another +15% forecast for 1990 when the bottom line will begin to benefit from this growth.



3

## Bell Atlantic

Bell Atlantic is a leading provider of voice and data applications, mobile communications, computer maintenance services, and equipment leasing and financing. It is one of the 50 largest corporations in the United States. In 1989, Bell Atlantic generated \$11.45 billion in revenues and \$3.9 billion in cash from operations. Earnings for 1989 were \$1.07 billion on an asset base of \$26.2 billion.



4

## CSX

CSX Corporation, headquartered in Richmond, Va., is an international transportation company that offers a variety of rail, container-shipping, intermodal, trucking and barge services. The 1990 Annual Report of the company traces its 10-year history and looks to its exciting future.



5

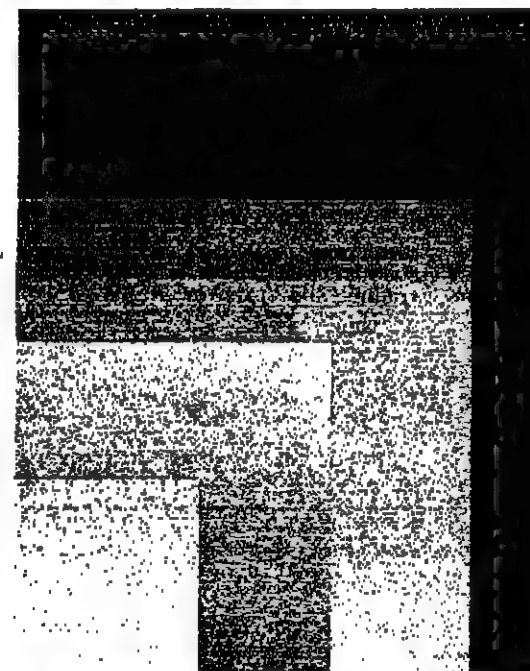
## Echlin

A worldwide manufacturer and distributor of quality parts used in motor vehicle engine, brake, steering/suspension, and power transmission systems.

European businesses include Quinton Hazell, Lipo, and Grau. Sales have grown 19% per year (compounded) over 30 years, and totaled \$1.5 billion in 1989 (12% were in Europe).

Total return to investors has grown 17% per year (compounded) since 1959.

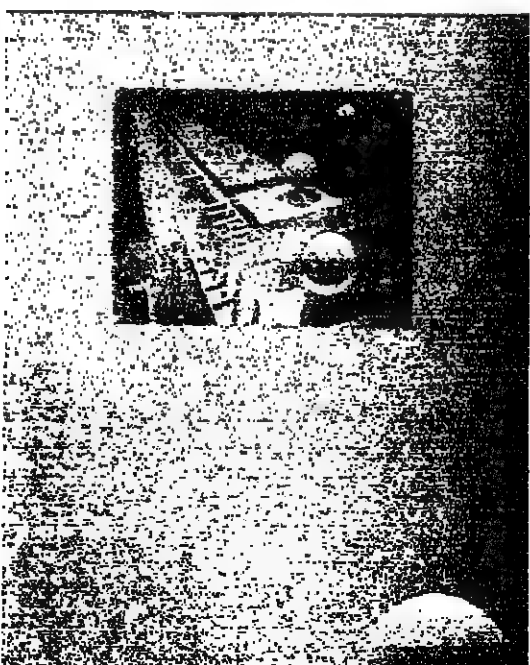
Traded on the New York and International Stock Exchanges (symbol: ECH).



6

## ENGELHARD

Engelhard is entering the new decade with a sharpened focus driven by key objectives and strategies which form Engelhard's "Agenda for the '90s." This report takes a closer look at the strategies the Company plans to pursue, the substantial opportunities in its core businesses over the next 10 years and the financial principles which provide a framework for decision making.

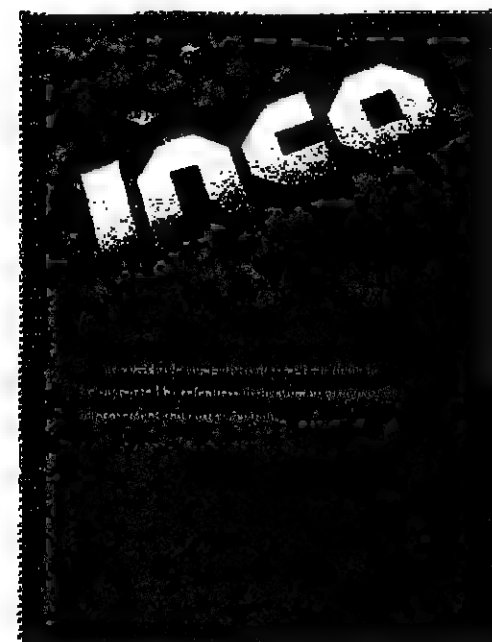


7

## Federal-Mogul Corporation

Federal-Mogul Corporation, headquartered in Southfield, Michigan, is a manufacturer and worldwide distributor of products ranging from precision parts for the transportation, farm equipment, construction and manufacturing industries to aerospace and electronic components. Shares of this billion-dollar corporation are traded on the New York and Pacific Stock Exchanges.

Stock Exchange: NYSE (FMO)



8

## Inco Limited

Inco is one of the world's premier mining and metals companies. It is the leading producer of nickel, supplying about one-third of free market demand. It is also a major producer of high-nickel and other alloys, and manufactures high-performance alloy components for aerospace and other demanding industrial applications. In addition, it is an important producer of copper and cobalt, and is increasing its participation in the production of gold and other precious metals. 1989 net sales were U.S. \$3.9 billion. Net earnings were U.S. \$753 million.

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## LONDON STOCK EXCHANGE

## Footsie edges again towards 2,400

A DETERMINEDLY resilient UK stock market rebounded from early losses and came close to regaining the FT-SE 100 mark yesterday as equities responded to a more favourable showing by the Conservative Government in the latest public opinion polls. But the final gain of 20 Footsie points contrasted with dismal turnover in the stock market and owed much to marketmakers' struggles to find stock.

Also pushing share prices ahead was the opening yesterday of the new two-week equity trading account, which spurs the close of the first half of the year. Fund managers are unwilling to part with stocks

Account Dealing Dates		
First Dealing	Jun 25	Jul 9
Option Dealings	Jul 5	Jul 19
Second Dealing	Jul 19	Jul 30
Account Day	Jul 2	Jul 30
Share-time dealings may take place from 9.30 am to 3.30 pm on the day after.		

which have performed well over the second quarter, and in some cases are willing to increase such holdings ahead of the quarterly inspection of portfolios by fund trustees.

Nevertheless, the market opened sharply down in the wake of heavy falls in New York and Tokyo, and the dis-

closure from the latest survey of business opinion by the Confederation of British Industries that UK order books are at their lowest for eight years. With the FT-SE futures contract also looking sour, the equity market was down by 17.3 Footsie points within half an hour.

There was little selling, however, and a few cheap buyers came in as investors assessed a buoyant speech at the weekend from Mrs Margaret Thatcher, the UK premier, which coincided with publication of opinion polls showing a narrowing in the lead, albeit still considerable, held by the Labour opposition party.

The Footsie's early loss was transformed into a 13-point gain around midday which, after a brief pause, was extended when New York opened higher. Dealers said that the final hour of trading saw marketmakers bidding for stock in London and brushing off a check on Wall Street.

At the close, the FT-SE index was 20 points up at the day's best of 2,366.5. Turnover was much less impressive, with the total of 379.1m shares nearly 24 per cent down on Friday's level. Equally discouraging was a premium of a mere 11 points on the Footsie future.

"Lack of sellers, lack of supply" was the description of the market from one leading trader. The shortage of stock brought sharp gains in a few sectors where there were sound, albeit technical, reasons for buying stock. Although the index sector calmed down after the excitement stirred last week by the agreed bid for Jacobs Suchard by Philip Morris, the US tobacco, brewing and food group, UK brewery stocks were very firm.

Yesterday's market performance surprised most traders, who sounded little impressed by the renewed move towards the FT-SE 2,400 territory. Strategists at leading securities firms continued to take a cautious stance for the near term.

Among those favoured by Warburg were MEPC, 50p, Land Securities, 50p, and Greycoat, 41p, all of which rose around 7p. The last-named is scheduled to report annual figures on Thursday. Also included was Great Portland, 5p, which rose 1p.

Priest Mariani began a strong recovery from last week's low as hopes revived of bid developments, the shares closing 27p higher at 215p. Speyhawk, another takeover target, advanced 15p to 237p ex-dividend, while Broadland rebounded 10p to 80p. A report suggesting that the recent bid for the company had been overdone put Broadland back 5p to 75p.

Entangled in the recent concern over defence stocks, Dowty continued to languish

FINANCIAL TIMES STOCK INDICES											
	June 25	June 26	June 27	June 28	June 29	June 30	July 1	July 2	July 3	July 4	July 5
Government Securities	80.35	80.30	80.19	79.85	79.25	84.30	84.30	84.30	84.30	84.30	84.30
Fixed Interest	88.64	88.67	88.41	88.30	88.35	89.62	89.62	89.62	89.62	89.62	89.62
Ordinary Shares	1923.4	1813.0	1808.3	1803.4	1807.4	1809.3	1809.3	1809.3	1809.3	1809.3	1809.3
Gold Mines	172.9	171.0	170.3	168.4	172.3	176.7	176.7	176.7	176.7	176.7	176.7
FT-SE 100 Share	2398.5	2378.5	2378.3	2371.2	2369.7	2373.6	2373.6	2373.6	2373.6	2373.6	2373.6
Ord. Div. Yield	4.80	4.84	4.85	4.89	4.84	4.81	4.81	4.81	4.81	4.81	4.81
Earning Yield % (ftse)	10.60	10.57	10.59	10.59	10.58	10.58	10.58	10.58	10.58	10.58	10.58
PE Ratio (ftse)	11.44	11.35	11.33	11.32	11.35	11.30	11.30	11.30	11.30	11.30	11.30
SEAO Barges 4.50m	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40
Equity Turnover (ftse)	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28
Equity Bargain	27.92	24.78	22.87	27.00	27.51	27.51	27.51	27.51	27.51	27.51	27.51
Shares Traded (mpt)	387.9	380.8	376.2	468.0	452.0	452.0	452.0	452.0	452.0	452.0	452.0

GILT EDGED ACTIVITY											
	June 25	June 26	June 27	June 28	June 29	June 30	July 1	July 2	July 3	July 4	July 5
Ordinary Shares	1923.4	1813.0	1808.3	1803.4	1807.4	1809.3	1809.3	1809.3	1809.3	1809.3	1809.3
Gold Mines	172.9	171.0	170.3	168.4	172.3	176.7	176.7	176.7	176.7	176.7	176.7
FT-SE 100 Share	2398.5	2378.5	2378.3	2371.2	2369.7	2373.6	2373.6	2373.6	2373.6	2373.6	2373.6
Ord. Div. Yield	4.80	4.84	4.85	4.89	4.84	4.81	4.81	4.81	4.81	4.81	4.81
Earning Yield % (ftse)	10.60	10.57	10.59	10.59	10.58	10.58	10.58	10.58	10.58	10.58	10.58
PE Ratio (ftse)	11.44	11.35	11.33	11.32	11.35	11.30	11.30	11.30	11.30	11.30	11.30
SEAO Barges 4.50m	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40
Equity Turnover (ftse)	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28
Equity Bargain	27.92	24.78	22.87	27.00	27.51	27.51	27.51	27.51	27.51	27.51	27.51
Shares Traded (mpt)	387.9	380.8	376.2	468.0	452.0	452.0	452.0	452.0	452.0	452.0	452.0

TRADING VOLUME IN MAJOR STOCKS											
	June 25	June 26	June 27	June 28	June 29	June 30	July 1	July 2	July 3	July 4	July 5
Government Securities	80.35	80.30	80.19	79.85	79.25	84.30	84.30	84.30	84.30	84.30	84.30
Fixed Interest	88.64	88.67	88.41	88.30	88.35	89.62	89.62	89.62	89.62	89.62	89.62
Ordinary Shares	1923.4	1813.0	1808.3	1803.4	1807.4	1809.3	1809.3	1809.3	1809.3	1809.3	1809.3
Gold Mines	172.9	171.0	170.3	168.4	172.3	176.7	176.7	176.7	176.7	176.7	176.7
FT-SE 100 Share	2398.5	2378.5	2378.3	2371.2	2369.7	2373.6	2373.6	2373.6	2373.6	2373.6	2373.6
Ord. Div. Yield	4.80	4.84	4.85	4.89	4.84	4.81	4.81	4.81	4.81	4.81	4.81
Earning Yield % (ftse)	10.60	10.57	10.59	10.59	10.58	10.58	10.58	10.58	10.58	10.58	10.58
PE Ratio (ftse)	11.44	11.35	11.33	11.32	11.35	11.30	11.30	11.30	11.30	11.30	11.30
SEAO Barges 4.50m	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40
Equity Turnover (ftse)	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28
Equity Bargain	27.92	24.78	22.87	27.00	27.51	27.51	27.51	27.51	27.51	27.51	27.51
Shares Traded (mpt)	387.9	380.8	376.2	468.0	452.0	452.0	452.0	452.0	452.0	452.0	452.0

GILT EDGED ACTIVITY											
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Ordinary Shares	1923.4	1813.0	1808.3	1803.4	1807.4	1809.3	1809.3	1809.3	1809.3	1809.3	1809.3
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FT-SE 100 Share	2398.5	2378.5	2378.3	2371.2	2369.7	2373.6	2373.6	2373.6	2373.6	2373.6	2373.6
Ord. Div. Yield	4.80	4.84	4.85	4.89	4.84	4.81	4.81	4.81	4.81	4.81	4.81
Earning Yield % (ftse)	10.60	10.57	10.59	10.59	10.58	10.58	10.58	10.58	10.58	10.58	10.58
PE Ratio (ftse)	11.44	11.35	11.33	11.32	11.35	11.30	11.30	11.30	11.30	11.30	11.30
SEAO Barges 4.50m	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40
Equity Turnover (ftse)	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28	88.28
Equity Bargain	27.92	24.78	22.87	27.00	27.51	27.51	27.51	27.51	27.51	27.51	27.51
Shares Traded (mpt)	387.9	380.8	376.2	468.0	452.0	452.0	452.0	452.0	452.0	452.0	452.0

in response to increased annual profits, while USM-quoted American Systems gained 6p to 179p for similar reasons. Interim results marginally better than market expectations nudged Gestetner 4p higher to 248p, but Sharp Furukawa slipped 4p to 104p on news that the Crumlin factory is to close resulting in 56 job losses. Parkfield rebounded after last week's collapse but was unable to hold the highest level, closing 16p at 188p after 179p. The company has warned on profits and a delay in reporting the accounts.

Other Market statistics, including the FT-Actuaries share index, Page 29

## Optimism on TSB results

TSB edged higher to close at 140p ahead of interim figures scheduled for Thursday. Estimates of pre-tax profits for the half year range from around £185m to £235m, compared with the £184.5m achieved last time. Most forecasts are bunched around the £190m to £215m area, and many analysts expect the interim dividend to be increased by some 12 per cent to 3.2p.

The banks team at County NatWest predict that the results "will be above those for the other clearing banks and some bid premium will soon enter the price." County said TSB have been dismal performers since the flotation in October 1988 due to a series of poor results and expensive acquisitions. But County highlights TSB's strengths: its strong insurance side complementing its banking business and its 7m-strong customer base. "Free from major corporate or US real estate worries, the results could be the best yet."

The restriction on shareholdings in TSB above 5 per cent lapses in October next year when potential predators can take stakes of up to 4.9 per cent and the company was Bank of England approval. TSB is regarded by many analysts as one of only two or three potential bid targets in UK retail banking.

## Allied Lyons wanted

Allied Lyons led the brewery sector higher, helped by a combination of factors. Traders reported widespread stock shortages and buying interest from institutions seeking to reinvest cash received when they sold Guinness shares to LVMH, the French luxury goods group, to a tender offer earlier this month.

S.G. Warburg recommended its institutional clients to buy Allied, claiming that the company looked under-rated after the recent strength of Allied's wine and spirits businesses were beginning to benefit from the presence in the group of Hiram Walker, the Canadian distiller bought in 1988. It also said beer sales were doing well and that the company was dealing with the "weak links" of Lyons Maid and its seafood business.

Allied moved ahead 16p to 80p, the day's highest level. Turnover was a solid 2.4m

## Siebe hit

News that another sizeable US acquisition, intended by Siebe, the UK control device group, put the shares down 25p to 506p. Siebe intends to offer \$33 cash per share, making a total of \$658m, for Foxboro, an automation and control equipment maker which announced earlier this month that it was exploring a strategic alliance with another company.

If the deal is successful, Foxboro will be merged with Siebe's US subsidiary Siebe Inc. and the advantages of a flotation of some of the latter's capital is being contemplated.

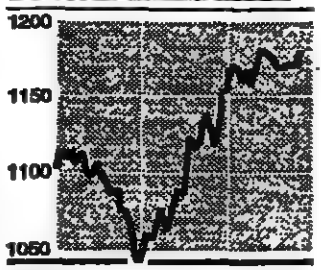
Analysts took the view that Siebe would have to work extremely hard to avoid dilution. The increase in borrowings would raise gearing to over 100 per cent, but it was conceded that the group had earned credit for turning similar businesses around over the past few years. One researcher felt that the relatively small fall in the Siebe share price indicated the market was taking the acquisition on trust.

The oil and gas sector attracted its fair share of interest, although much of the activity was triggered by some highly speculative stories. The day's most exciting but highly fanciful story emanated from the traded options market and centred on BP shares, which momentarily blipped upwards to touch 350p, before slipping back to close at 24p, a firm at 237p on turnover of 8.8m. The whisper that triggered a flurry of trading was that a stake in BP of as much as 5.5 per cent had been steadily built up by Siebe over the previous few months and was about to be declared.

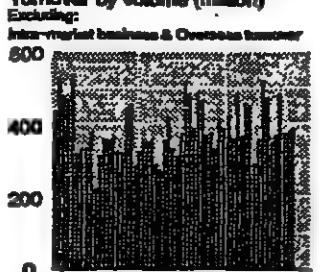
Close observers of the oil sector took little heed of the story and said close scrutiny of trading and turnover in BP showed absolutely no evidence of a stakebuilding operation. "Just remember how much turnover - hundreds of millions of shares - it took for the Kuwaitis to assemble the BP Government sale holding in BP three years ago," noted one oil sector specialist.

Enterprise Oil fell away to 64p and were finally a net 4p off at 64p after a report that ICI was considering issuing the near 25 per cent stake in the oil company direct to ICI shareholders. This, according to ana-

## FT-A All-Share Index



## Equity Shares Traded



## NEW HIGHS AND LOWS FOR 1990

NEW HIGHS	NEW LOWS
AMERICAN (1) BROWNING (1) BUILDING (1) CHEMICALS (1) STORES (1) ELECTRONICS (1) FOODS (1) FURNITURE (1) GARDENS (1) HOUSING (1) INSURANCE (1) LEISURE (1) METALS (1) OILS (1) TRANSPORT (1) TOYS (1) WINE (1)	AMERICAN (1) BROWNING (1) BUILDING (1) CHEMICALS (1) STORES (1) ELECTRONICS (1) FOODS (1) FURNITURE (1) GARDENS (1) HOUSING (1) INSURANCE (1) LEISURE (1) METALS (1) OILS (1) TRANSPORT (1) TOYS (1) WINE (1)

## APPOINTMENTS

Managers have appointed as business development executive Mr Tony Charlwood, who was assistant director, South Bank Polytechnic; Mr Anthony Creighton joins as a pension fund manager from a similar post with BZW Investment Management; and Mr Sean Cavanagh joins as a pension fund manager from Church Charity and Local Authority Fund Managers.

## Chairman of Banco NatWest

NATIONAL WESTMINSTER BANK has appointed Mr Rafael Martinez Cortés as chairman of its Spanish subsidiary, Banco NatWest. He was vice chairman and managing director of Banco Exterior de España, and vice chairman of Banco Atlantico, and replaces Mr Alfredo Lafita.

## Video Arts Group

VIDEO ARTS GROUP has appointed Mr John L. Christmas as finance director from July 2. He was finance director at Typo Communications International.

## Peter Glover

Mr Peter Glover becomes a non-executive director of ROYAL SCOTCH ASSURANCE on July 10.

## Mr Douglas Hayden

Mr Douglas Hayden has been appointed a director of BERRY BIRCH & NOBLE. He was chief executive of Douglas Hayden Financial Services, a company acquired by the group two years ago.

## Gartmore's banking subsidiary

Gartmore's banking subsidiary, Gartmore Money Management, has appointed Mr Alastair Macdonald as marketing manager. He joins from Kitchin & Aitken, Gartmore Pension Fund

## Package advanced 45p to £1555

Tobacco analysts yesterday embarked on a visit to the US to see businesses owned by BAT Industries. On the itinerary were the company's California insurance operation Farmers, and Brown & Williamson, the third largest US cigarette maker. Bates climbed 8p to 661p.

Rothmans International, which publishes final results tomorrow, weakened yesterday after recent strength. The market had been stimulated by a recurrence of the notion that the figures might be accompanied by the flotation of Carter. Rothmans is controlled by Robertson, the Swiss company associated with Rembrandt, the South African industrial group. Rothmans and Robertson between them own more than 90 per cent of Carter.

The banks shrugged aside yet more profits downgrades in the sector and posted good gains. Barclays added 9p to 413p and Lloyds 7p to 237p. Kleinwort Benson was 2p lower at 373p after County NatWest shared its profits forecast.

Two sizeable trades, of 600,000 shares apiece, helped Standard Chartered progress to end 7p higher at 480p.

Satelli & Satelli weakened on news that the company had sold Paterson a legal consultancy in Chicago, its management. Analysts described the price - \$2m plus 10 years of royalties worth at least \$20m - as disappointing. Satelli, which has paid a total of \$118m for Paterson since its acquisition in 1987, slipped 2p to 63p.

A positive statement from the chairman of WPP helped the shares recover another 9p to 61p. Mr Martin Sorrell told the annual meeting that liquidity continued to improve and satisfactory progress was being made to reduce debt in line with his objective of substantially reducing it over the next five to six years. Ms Lorna Tilman at S.G. Warburg said: "If they can say this at a time in the economy, it bodes well for the cyclical upturn."

Sea Containers' bid for control of the late of Manx Steam Packet led the latter's shares 21p higher at 116p. The offer is being made through Seaboard, a wholly owned subsidiary, and conducted by UBS Phillips & Drew. The terms are 115p for each Steam Packet share in cash with a loan note alternative. The Sea Containers group holds 41 per cent of Steam Packet and has board representation. Seaboard said it wanted the company to keep its stock exchange listing, with Sea Containers holding a controlling interest.

Press predictions that interest rates might begin to fall by the autumn helped the stores sector. Among those to benefit was Barlows, up 11p to 182p. Kingfisher, 7p higher at 372p, and Marks and Spencer, 5p

## Burns Anderson Recruitment

Mr Alan Kemp has been appointed deputy chief executive of DUNEDIN FUND MANAGERS.

## F. C. Germany

INVESTMENT TRUST has appointed Dr Georg Obermeier as a non-executive director. He is a director of VIAG, a West German energy, aluminium and chemicals group.

## Mr Graham Dipwell



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## BANKS, HP &amp; LEASING

1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599
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## Money Market Bank Accounts



CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Canadian dollar holds firm

THE Canadian dollar shrugged off worries of political instability after the collapse of the Meech Lake constitutional accord and moved higher as its yield attracted investors. Sterling and the Australian dollar were also bolstered by high interest rates, while the other major currencies were steady in quiet technical trading.

Analysts expressed surprise at the Canadian dollar's resilience after the collapse of the accord but added that the news had already been anticipated by the market. Some profit-taking of US dollar-Canadian dollar positions helped bolster the Canadian unit. There was no indication by the London close that the Canadian central bank had been supporting the currency.

The expectation that Canadian monetary policy would remain tight encouraged dealers not to mark the dollar any lower. But some analysts remained sceptical. "The yields are the only factor supporting the Canadian dollar. If another major currency starts to rally it could come under pressure," said Mr Mark Brett, analyst at Barclays de Zoete Wedd. The US dollar fell to 1.1780 Canadian dollar, from 1.1820 on Friday.

The stability of the US dollar and D-Mark once again encouraged investors to favour currencies with high interest rates, particularly sterling and the Australian dollar. The yen remained weak following the recent surge in monetary growth.

Sterling followed its recent pattern of beginning the week easier after an advance before the weekend. "It rises on Friday with traders unwilling to be short in case the pound joins the exchange rate mechanism (of the EMS) at the weekend. But then it falls back on Monday when that doesn't happen," said Mr David Simmonds, treasury economist at Midland Montagu.

However, sterling was unable to stay down for long due to high interest rates and the D-Mark's weaker tone. The lack of any major economic data this week will leave sterling stuck around DM2.90, many analysts said. Sterling closed in London unchanged at DM2.9025, but was weaker at \$1.7305 from \$1.7330, at SF2.4400 from SF2.4425, and at FF9.7475 from FF9.7400, and to Y268.75 from Y268.25. Sterling's index, calculated by the Bank of England, was unchanged at 91.2. The Australian dollar also closed virtually unchanged at 78.4 US cents.

The US dollar opened firmly after it broke above the important Y165 resistance point in Japan. During the European day it was trapped in a narrow range and ended slightly higher. Analysts said it was unlikely to stray far from current levels before the release of June non-farm payroll figures on July 6.

The dollar closed higher at DM1.6780 from DM1.6745; at SF1.4085 from SF1.4090; at Y155.35 from Y154.75; and at FF5.6325 from FF5.6200. The dollar index finished unchanged at 67.5.

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EURO-CURRENCY INTEREST RATES

	Jan 25	30 days	3 months	6 months	9 months	12 months
London	148-149	148-149	148-149	148-149	148-149	148-149
Frankfurt	148-149	148-149	148-149	148-149	148-149	148-149
Paris	148-149	148-149	148-149	148-149	148-149	148-149
Brussels	148-149	148-149	148-149	148-149	148-149	148-149
Amsterdam	148-149	148-149	148-149	148-149	148-149	148-149
Stockholm	148-149	148-149	148-149	148-149	148-149	148-149
Oslo	148-149	148-149	148-149	148-149	148-149	148-149
Copenhagen	148-149	148-149	148-149	148-149	148-149	148-149
Helsinki	148-149	148-149	148-149	148-149	148-149	148-149
Tokyo	148-149	148-149	148-149	148-149	148-149	148-149
Singapore	148-149	148-149	148-149	148-149	148-149	148-149
Manila	148-149	148-149	148-149	148-149	148-149	148-149
Bombay	148-149	148-149	148-149	148-149	148-149	148-149
Calcutta	148-149	148-149	148-149	148-149	148-149	148-149
Madras	148-149	148-149	148-149	148-149	148-149	148-149
Colombo	148-149	148-149	148-149	148-149	148-149	148-149
Jaipur	148-149	148-149	148-149	148-149	148-149	148-149
Delhi	148-149	148-149	148-149	148-149	148-149	148-149
Bombay	148-149	148-149	148-149	148-149	148-149	148-149
Calcutta	148-149	148-149	148-149	148-149	148-149	148-149
Madras	148-149	148-149	148-149	148-149	148-149	148-149
Colombo	148-149	148-149	148-149	148-149	148-149	148-149
Jaipur	148-149	148-149	148-149	148-149	148-149	148-149
Delhi	148-149	148-149	148-149	148-149	148-149	148-149

Long term Eurodollar: two years 8.5-9.5, per cent; four years 9.5-10.5, per cent; five years 10.5-11.5, per cent. Short term rates are call for US dollars and Japanese Yen, others, two day notice.

IN NEW YORK

June 25

	June 25	June 24	June 23
Gold	359.20	359.20	359.20
Oil	20.10	20.10	20.10
Wheat	2.10	2.10	2.10
Corn	1.10	1.10	1.10
Soybeans	1.10	1.10	1.10
Wheat	2.10	2.10	2.10
Corn	1.10	1.10	1.10
Soybeans	1.10	1.10	1.10

STERLING INDEX

June 25

	June 25	June 24	June 23
London	148-149	148-149	148-149
Frankfurt	148-149	148-149	148-149
Paris	148-149	148-149	148-149
Brussels	148-149	148-149	148-149
Amsterdam	148-149	148-149	148-149
Stockholm	148-149	148-149	148-149
Oslo	148-149	148-149	148-149
Copenhagen	148-149	148-149	148-149
Helsinki	148-149	148-149	148-149
Tokyo	148-149	148-149	148-149
Singapore	148-149	148-149	148-149
Manila	148-149	148-149	148-149
Bombay	148-149	148-149	148-149
Calcutta	148-149	148-149	148-149
Madras	148-149	148-149	148-149
Colombo	148-149	148-149	148-149
Jaipur	148-149	148-149	148-149
Delhi	148-149	148-149	148-149

CURRENCY RATES

June 25

	June 25	June 24	June 23
US Dollar	1.1780	1.1820	1.1820
British Pound	2.9025	2.9025	2.9025
French Franc	6.55	6.55	6.55
German Mark	2.36	2.36	2.36
Japanese Yen	155.35	154.75	154.75
Swiss Franc	1.4085	1.4090	1.4090
Australian Dollar	0.784	0.784	0.784
New Zealand Dollar	0.65	0.65	0.65
South African Rand	10.5	10.5	10.5
Indian Rupee	45.5	45.5	45.5
Pakistani Rupee	100.0	100.0	100.0
Sri Lankan Rupee	150.0	150.0	150.0
Thai Baht	20.0	20.0	20.0
Singapore Dollar	1.35	1.35	1.35
Malaysian Ringgit	2.50	2.50	2.50
Indonesian Rupiah	1,500.00	1,500.00	1,500.00
Philippine Peso	45.00	45.00	45.00
Chinese Yuan	6.50	6.50	6.50
South Korean Won	180.00	180.00	180.00
Portuguese Escudo	200.00	200.00	200.00
Spanish Peseta	166.67	166.67	166.67
Italian Lira	1,360.00	1,360.00	1,360.00
Irish Punt	7.88	7.88	7.88
Polish Zloty	4.00	4.00	4.00
Czech Koruna	16.00	16.00	16.00
Slovak Koruna	15.00	15.00	15.00
Hungarian Forint	20.00	20.00	20.00
Romanian Leu	10.00	10.00	10.00
Bulgarian Lev	1.00	1.00	1.00
Greek Drachma	340.00	340.00	340.00
Turkish Lira	1.50	1.50	1.50
Yugoslav Dinar	100.00	100.00	100.00
Serbian Dinar	100.00	100.00	100.00
Croatian Kuna	100.00	100.00	100.00
Slovenian Tolar	100.00	100.00	100.00
Maltese Lira	1.00	1.00	1.00
Cypriot Pound	1.00	1.00	1.00
Georgian Lari	1.00	1.00	1.00
Armenian Dram	100.00	100.00	100.00
Azerbaijani Manat	1.00	1.00	1.00
Abkhazian Tetri	1.00	1.00	1.00
Ossetian Ruble	1.00	1.00	1.00
Ingush Ruble	1.00	1.00	1.00
Dagestan Ruble	1.00	1.00	1.00
Chechen Ruble	1.00	1.00	1.00
Kabardian Ruble	1.00	1.00	1.00
Ingush Ruble	1.00	1.00	1.00
Dagestan Ruble	1.00	1.00	1.00
Chechen Ruble	1.00	1.00	1.00
Kabardian Ruble	1.00	1.00	1.00

CURRENCY MOVEMENTS

June 25

	June 25	June 24	June 23
US Dollar	1.1780	1.1820	1.1820
British Pound	2.9025	2.9025	2.9025
French Franc	6.55	6.55	6.55
German Mark	2.36	2.36	2.36
Japanese Yen	155.35	154.75	154.75
Swiss Franc	1.4085	1.4090	1.4090
Australian Dollar	0.784	0.784	0.784
New Zealand Dollar	0.65	0.65	0.65
South African Rand	10.5	10.5	10.5
Indian Rupee	45.5	45.5	45.5
Pakistani Rupee	100.0	100.0	100.0
Sri Lankan Rupee	150.0	150.0	150.0
Thai Baht	20.0	20.0	20.0
Singapore Dollar	1.35	1.35	1.35
Malaysian Ringgit	2.50	2.50	2.50
Indonesian Rupiah	1,500.00	1,500.00	1,500.00
Philippine Peso	45.00	45.00	45.00
Chinese Yuan	6.50	6.50	6.50
South Korean Won	180.00	180.00	180.00
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Czech Koruna	16.00	16.00	16.00
Slovak Koruna	15.00	15.00	15.00
Hungarian Forint	20.00	20.00	20.00
Romanian Leu	10.00	10.00	10.00
Bulgarian Lev	1.00	1.00	1.00
Greek Drachma	340.00	340.00	340.00
Turkish Lira	1.50	1.50	1.50
Yugoslav Dinar	100.00	100.00	100.00
Serbian Dinar	100.00	100.00	100.00
Croatian Kuna	100.00	100.00	100.00
Slovenian Tolar	100.00	100.00	100.00
Maltese Lira	1.00	1.00	1.00
Cypriot Pound	1.00	1.00	1.00
Georgian Lari	1.00	1.00	1.00
Armenian Dram	100.00	100.00	100.00
Azerbaijani Manat	1.00	1.00	1.00
Abkhazian Tetri	1.00	1.00	1.00
Ossetian Ruble	1.00	1.00	1.00
Ingush Ruble	1.00	1.00	1.00
Dagestan Ruble	1.00	1.00	1.00
Chechen Ruble	1.00	1.00	1.00
Kabardian Ruble	1.00	1.00	1.00

OTHER CURRENCIES

June 25

	June 25	June 24	June 23
US Dollar	1.1780	1.1820	1.1820
British Pound	2.9025	2.9025	2.9025
French Franc	6.55	6.55	6.55
German Mark	2.36	2.36	2.36
Japanese Yen	155.35	154.75	154.75
Swiss Franc	1.4085	1.4090	1.4090
Australian Dollar	0.784	0.784	0.784
New Zealand Dollar	0.65	0.65	0.65
South African Rand	10.5	10.5	10.5
Indian Rupee	45.5	45.5	45.5
Pakistani Rupee	100.0	100.0	100.0
Sri Lankan Rupee	150.0	150.0	150.0
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Czech Koruna	16.00	16.00	16.00
Slovak Koruna	15.00	15.00	15.00
Hungarian Forint	20.00	20.00	20.00
Romanian Leu	10.00	10.00	10.00
Bulgarian Lev	1.00	1.00	1.00
Greek Drachma	340.00	340.00	340.00
Turkish Lira	1.50	1.50	1.50
Yugoslav Dinar	100.00	100.00	100.00
Serbian Dinar	100.00	100.00	100.00
Croatian Kuna	100.00	100.00	100.00
Slovenian Tolar	100.00	100.00	100.00
Maltese Lira	1.00	1.00	1.00
Cypriot Pound	1.00	1.00	1.00
Georgian Lari	1.00	1.00	1.00
Armenian Dram	100.00	100.00	100.00
Azerbaijani Manat	1.00	1.00	1.00
Abkhazian Tetri	1.00	1.00	1.00
Ossetian Ruble	1.00	1.00	1.00
Ingush Ruble	1.00	1.00	1.00
Dagestan Ruble	1.00	1.00	1.00
Chechen Ruble	1.00	1.00	1.00
Kabardian Ruble	1.00	1.00	1.00

EXCHANGE CROSS RATES

# London fa

UK money market rates eased slightly yesterday following widespread speculation that interest rates would be cut in the autumn. The key three-month interbank rate softened during the afternoon to close  $\frac{1}{4}$  point lower at 14 $\frac{1}{2}$ -14 $\frac{3}{4}$  per cent.

The futures market was the first to respond and all short sterling contracts opened







## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

John Doe







## AMERICA

## Dow loses steam as Canada remains calm

## Wall Street

AN EARLY bounce in equity prices in reaction to last Friday's sharp fall soon lost steam and left the market lower throughout yesterday afternoon, writes Janet Bush in New York.

The Dow Jones Industrial Average closed down 12.13 points at 2845.06 on moderate volume of 1.54m shares. The Dow closed 44.53 points lower on Friday at 2,857.18.

Within half an hour of the opening yesterday, the Dow had recouped more than 14 points but then profit-taking set in once again. The Dow was given some support by rallies in some of its component stocks, leaving its losses more limited than, for example, Standard & Poor's 500 index which was quoted 3.12 points lower at 352.31.

One Dow stock which did well was Philip Morris which continued Friday's rally on news of its agreement to buy most of Jacobs Suchard, the Swiss coffee and chocolate

maker, for \$3.5bn. Clearly, the market has given a vote of confidence to the strategic thinking behind the deal. Philip Morris was quoted 1% higher at \$44.

Among other blue chip issues, International Business Machines added 3/4 to \$116.75, Merck gained 3/4 to \$82.40 and International Paper edged 3/4 higher to \$61.40.

The tone of the broad market was somewhat defensive yesterday because of weakness in Treasury bonds ahead of an enormous amount of new supply this week. This helped prevent equities from rebounding from Friday's drop. There is also some nervousness about the volatility seen recently which can be traced to active stock index arbitrage.

Oil companies were in focus yesterday with crude oil prices still sliding in the morning. Norway announced yesterday that it was dropping oil production controls from July 1 which were put in place in an attempt to help support world oil prices. Norway said that the controls had little effect.

Mobil was quoted 3/4 lower at \$61.75. Chevron slipped 3/4 to \$68.75 and Exxon slipped 5/4 to \$42.

Precious metals stocks did better, reflecting a firmer gold price. Newmont Gold gained 1/4 to \$40.40 and Homestake Mining was up 3/4 at \$17.

One of the day's featured issues was Foxboro which jumped 1 1/2 to \$31 on news that Siebe Ples, a British securities systems company, had agreed to acquire the company for \$33 a share.

Two companies were featured because they warned the market about disappointing earnings. The market is likely to become increasingly nervous about corporate profitability as second quarter earnings start pouring out over the next few weeks. Most of this year, the market has risen on hopes of a decline in interest rates due to the slowing of the economy but has yet to show any real concern about the effect of this on corporate profits.

Caterpillar, in contrast, plunged 3/4 to \$38 after

projecting that second quarter net income would fall short of the year-ago level.

## Canada

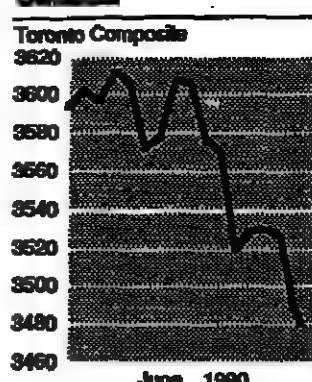
There was a calm reaction in stock markets yesterday to the failure of the Meach Lake constitutional accord. The Toronto Composite Index lost 13 points on the day, largely following New York.

Some early nervousness, generated by a weak Canadian dollar overnight swiftly moderated, especially after the two big US credit agencies left their ratings on Canadian and Quebec government and guaranteed bonds unchanged at Triple A and Double A minus respectively. Late in the afternoon the Canadian dollar firmed to around 85 cents US, and short term money market rates were stable around 18.55 per cent.

After being down nearly 11 points at noon in line with New York, the composite index near the close was down 13 points at 3,476.90.

Metals and minerals and financial services were lower.

## Canada



June 1990

Nova, Laidlaw, CP Ltd and Northern Telecom were among the most active and down small fractions. Volumes were off sharply from Friday.

Analysts could not discern any individual stock movements due directly to Meach. John D. Tomaso, equity investment manager, Royal Insurance Canada, said the market had reacted in "a ho-hum manner", and there could be some reaction later.

## ASIA PACIFIC

## Weak yen and high rates put pressure on Nikkei

## Tokyo

SHARE PRICES nosedived yesterday as investors retreated from the market in the face of further yen weakness, high interest rates and Wall Street's fall last week, writes Michiko Nakamoto in Tokyo.

After plunging more than 300 points in the first 15 minutes of trading, the Nikkei average weakened further throughout the day, closing down 570.38 at 31,241.19, the day's low. The intraday high was 31,537.71. Declines led advances by a wide margin, at 904 against 120, while 100 issues were unchanged. Turnover fell to 300m shares from 350m on Friday. The Topix index of all listed stocks lost 40.4 to 2,202.12 and in London the ISE/Nikkei 50 index fell 5.89 to 1,708.39. The second section also declined sharply.

Amid the general gloom of a weak yen and continuing high interest rates, the controversial Structural Impediments Initiative (SII) talks between the US and Japan began in Tokyo yesterday. In the past, the SII talks have sometimes prompted buying, but this time the focus has been more on the negative aspects of the talks, said Mr. Tetsuya Fukami at Shearson Lehman Hutton.

Investors have questioned, for example, the ability of the Japanese Government to carry out the infrastructure investments that the US is demanding, particularly with the severe labour shortage in Japan. There has also been concern that the huge increase in infrastructural investment could push inflation higher.

US complaints that Japanese real estate prices are too high, fuelled fears of a sharp fall in land prices. Recent moves by the Ministry of Finance to tighten its grip on loans for real estate investments have not boded well for property prices either, said Mr. Fukami. A fall in real estate prices could lead to a sharp decline in issues that have been bought on the strength of their huge property assets.

The first of yesterday's top 10 most actively traded issues, all of which were losers, was dominated by the leading steels and shipbuilders which are

heavily capitalised and tend to be worst hit by high interest rates. Mitsubishi Heavy topped the list with 7m shares and fell Y10 to Y90.

Toyota and Sanyo, which were recently popular for their strong earnings and specific incentives, both fell victim to heavy profit-taking. Toyota dropped Y70 to Y2,490 and Sanyo slipped Y23 to Y900.

A few high-priced electricals bucked the trend. Hirose Electric, a specialist maker of connectors, surged Y180 to a record Y7,150 on expectations of a bonus issue in March 1991. Kyocera, the maker of semiconductor components, also gained Y70 to Y8,170 on hopes of a dividend increase.

Nintendo offered a flicker of hope in an otherwise lacklustre Osaka market, rising Y400 to Y28,700. The OSE average declined 456.74 to 3,458.00 on volume of 24m shares, down from Friday's 38m.

## Roundup

PACIFIC RIM markets were mostly immune to the falls on Wall Street on Friday and in Tokyo yesterday. Hong Kong, Thailand and Taiwan rose strongly, while the Philippines was the biggest loser, as the expected profit-taking set in.

HONG KONG rose in active, afternoon trade on the news that Fang Lihi, a leading Chinese dissident, had left the country after being in the US embassy in Peking for a year.

His departure resolves a diplomatic stand-off between China and the US. The Hang Seng index gained 28.00 to 3,278.44 and turnover rose to HK\$2.54bn from HK\$2.21bn. Strong buying from European institutions powered the advance and absorbed early local profit-taking.

BANGKOK advanced on expectations of an inflow of foreign investment, after the news that Thailand's foreign exchange controls will be further relaxed by September. The SET index rose 23.83, or 24 per cent, to 1,032.54.

TAIWAN's weighted index rebounded above 5,500, the level at which the market had been expected to consolidate after a period of declines. The index gained 115.81, or 2.1 per cent, to 5,568.55, with financial

and cement stocks leading the rally. A typhoon had kept the market closed on Saturday.

AUSTRALIA finished marginally firmer, supported by what some brokers described as "window dressing" buying by local funds managers, attempting to boost the value of their share portfolios by the end of the fiscal year on June 30. The All Ordinaries index rose 0.2 to 1,512.8, after trading in a narrow 9-point range.

Elders IXL was steady at A\$1.74 after announcing a A\$500m book loss on the sale of its 52.7 per cent stake in Elders Resources. Turnover rose to A\$201m from A\$178m.

NEW ZEALAND finished mixed in reaction to the news that Carter Holt Harvey, which rose 2 cents to NZ\$2.78, announced a merger with Elders Resources NZPF, which lost 9 cents to NZ\$1.87. CHH said it would buy a 52.7 per cent in Elders Resources NZPF from Elders IXL for between NZ\$700 and NZ\$900m. The Barclays index dropped 7.83 to 1,768.04.

MANILA declined on profit-taking. The composite index slipped to 918.93, down 28.66 points or 3.1 per cent.

SEOUL continued to fall as inflationary pressures and the tight monetary policy kept investors on the sidelines. The composite index shed 7.32 to 799.80 in thin trading.

SINGAPORE was depressed by falling markets in the US and Japan. Investors were also daunted by the amount of rights issues and other cash calls planned for the latter half of the year, particularly in Malaysian issues. The Straits Times index dropped 9.78 to 1,522.62. Turnover fell to S\$117m from Friday's S\$137m.

KUALA LUMPUR recovered in the afternoon as light bargain-hunting emerged. The composite index climbed 0.97 to 580.61 while volume slipped to 30m shares from 33m.

SOUTH AFRICA

GOLD shares were given a welcome boost by a firmer billion price and a sharp fall in the financial rand. The all-gold index jumped 36 to 1,445 and the overall index rose 36 to 2,592. Vast Reef firmed 216 to R276.

## EUROPE

## Food companies continue to attract interest

PHILIP MORRIS's agreed bid for Jacobs Suchard, announced on Friday, stirred interest in other food companies yesterday as the theme of further concentration in the European food industry was revived, writes Our Markets Staff.

FRANKFURT was weak in the pre-bourse, but picked up on domestic buying. It then accelerated, through a 3.18 rise to 794.91 in the FAZ index at mid-session, to a final 23.39 gain to 1,599.21 in the DAX.

The Bundesbank monthly report said yesterday that interest rates were high enough to absorb risks and unpredictable factors emerging from German unity. The Bundesbank's average bond yield fell another 3 basis points to 8.92 per cent, compared with 9.01 per cent a week earlier.

Volume stayed high by recent standards at DM9.1bn, compared with DM9.7bn last

Friday. Banks gained on the back of higher bond prices, Deutsche Bank rising DM14 to DM902.50 and BHF Bank DM10 higher at DM474.

Allianz continued last week's re-rating with a DM55 improvement to DM2,905. Siemens rose DM15.70 to DM757.30, up over DM50 in a week which included its London listing. Alitalia, the health and baby foods group, ended DM17 to DM532, DM42 better on the week, on takeover speculation.

ZUBRICH took a breather after the Jacobs Suchard excitement. The Credit Suisse index edged up 2.8 to 662.6.

Ciba-Giegi, which said that present currency rates are making it hard to maintain profits in 1990, fell SF2.50 to SF13.80. Foods were supported by speculation that Suchard holders would reinvest their takeover cash in the sector, and Nestlé registered rose

SF25 to SF13.875.

PARIS edged higher, with optimism about the outlook for interest rates outweighing worries about recent falls in the US and Japan. The CAC 40 index rose 8.35 to 2,040.05 in modest turnover estimated to be similar to Friday's FF2.5bn.

Michelin plunged after its chairman's warning on Friday that the tyre-maker could make a loss. One salesman said that yesterday's 8.3 per cent fall in the share price to FF39.20, down FF7.30, could have been worse, pointing out that a few weeks ago analysts had been predicting a FF2.5bn profit. Michelin closed above its day's low of FF39.10, but more than 30 per cent below its level of just over a week ago.

AMSTERDAM was initially weak following heavy losses on Wall Street and Tokyo but was supported by advances in Frankfurt and London. Firmer

Dutch bond prices also helped. The CBS Tendency index, which closed steady at 121.0, after starting 0.3 off at 120.7. Unlavor rose 50 cents to FF108.50 after announcing it planned to buy the 50 per cent it did not already own in Margarinebols AB, a Swedish margarine firm. CME, the sugar and food company often cited as a potential takeover target, closed FF1 better at FF184.

MILAN rebounded from a weak start to close steady, but volume was thin. The Comit index edged 0.34 to 745.69. Ferruzzi Finanziaria (FerFin) and Ferruzzi Agricola withstood the weaker trend on continued merger speculation. FerFin rose L5 to L2,900 and Ferruzzi Agricola was L3 better at L2,701. After the market closed, Giuseppe Garofano, managing director of Ferruzzi Agricola, said FerFin had raised its stake in Ferruzzi

Agricola by 5.2 per cent to 69.7 per cent as of June 15, but said that the two companies were not planning to merge.

STOCKHOLM was led higher by strong demand in Ericsson, whose free B shares firmed SEK15 to SEK1,380, on continuing speculation that the company was about to secure an important new order from the US for its mobile telephones. The Affärsvärlden general index rose 3.8 to 1,280.7.

MADRID picked up in the afternoon after a lacklustre morning, encouraged by hopes of lower interest rates. Demand for utility and bank stocks helped the general index climb above the 290 level to close at 390.78, up 1.43.

Utility shares were enjoying their seasonal rally, the deadline for qualification for their dividend payments is towards the end of the month. Iberduero gained Ptas18 to Ptas700 in active trade.

VIENNA continued to rally, with the house index rising 12.92 to 651.32 on domestic and foreign bargain-hunting.

## US and Japan depress the world

## MARKETS IN PERSPECTIVE

	% change in local currency			% change in US\$	% change in UK£
	7 Weeks	3 Weeks	1 Year	Start of 1990	Start of 1989
Austria	+2.32	+4.09	+74.34	+38.68	+29.01
Belgium	-0.96	+0.72	-2.28	-0.17	-0.78
Denmark	-0.50	+1.84	+12.72	+4.09	-0.07
Finland	+0.42	-1.03	-12.54	+0.08	-4.68
France	+0.01	-4.89	+12.92	-0.75	-4.94
Germany	+4.47	+2.11	+28.26	+5.77	-0.57
Ireland	-1.74	+0.98	+19.21	+0.98	-3.38
Italy	-1.77	+0.11	+10.98	+5.34	+1.34
Netherlands	+0.16	+0.89	+1.17	-3.23	-6.82
Norway	-0.27	-3.07	+20.18	+14.81	+9.22
Spain	+2.12	+3.14	-7.82	-4.28	-5.62
Sweden	+1.79	+0.46	+22.53	+11.89	+6.25
Switzerland	+0.16	+0.36	+0.21	+4.10	+11.88
UK	-0.82	+4.89	+8.90	-2.18	-2.18
EUROPE	+0.51	+2.19	+10.23	+8.44	-2.11
Australia	+0.89	+3.22	+4.09	-6.21	-13.37
Hong Kong	+1.45	+5.98	+44.57	+14.38	+6.66
Japan	-2.96	-4.29	-9.87	-20.89	-31.60
Malaysia	+0.92	-1.63	+28.32	+0.67	-8.80
New Zealand	-0.73	+2.08	-2.87	-7.63	-16.12
Singapore	-0.68	-0.78	+21.48	+12.46	+7.86
Canada	-1.85	-0.38	-4.49	-8.69	-17.67
USA	-0.29	+0.45	+0.52	+0.52	+0.52
Mexico	-1.93	-1.81	+124.77	+67.62	+48.97
South Africa	-1.72	-0.81	+15.04	-2.97	-18.35
WORLD INDEX	-1.50	-0.69	+1.98	-3.36	-16.19

Based on June 26, 1990. Copyright: The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd.

## By William Cochrane

DEPRESSED by a downward drift in Tokyo and declines in North America, and only slightly relieved by a livelier West Germany and Austria, the FT-Actuaries World Index fell by 1.5 per cent last week.

Japan dropped 2.7 per cent. Nomura International says that a dull week was characterised by low volumes, a weaker yen, and the contribution of higher short-term interest rates to the general market.

Last Tuesday's announcement of a 13.2 per cent May increase in Japan's broad money supply made it unlikely that monetary policy would be eased in the short term. Interest rate-sensitive stocks (le big companies) were sold and the emphasis stayed on over-the-counter and second session issues.

The US began badly as profit-taking, exacerbated by waves of programme selling and a downturn in the Treasury bond market, started the rot on Monday. It fought to hold its equilibrium over the

next three days, but index-linked arbitrage selling cracked the market's restored composure on Friday.

Europe would have been 1.2 per cent higher without an off-colour US. It took in the week's best performer, West Germany, which climbed 4.5 per cent and pulled Austria up with it following a weak three months for markets in both countries.

There was a theory that West German domestic institutions, after staying out of the market for most of that time, decided that the end of the June quarter would look better in their books if share prices swung upwards.

Dealers got the message that investment buyers were back, even if the foreign investors which had such an impact early this year were arguably less active.

However, on a strategic level, Mr. James Cornish of County NatWest said currency unification with East Germany on July 1 will produce angst rather than good economic news, and he does not expect a firmly-based German equity rally until the autumn.

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FINANCIAL TIMES SURVEY

FRANCE

Tuesday, June 26, 1990

● The Jacobin tradition impedes entry into the EC  
Page 2

SECTION III



France has one of the highest standards of living in Europe, and its government boasts a creditable

economic performance. But public anxieties over immigration, and the integration of Europe's single market, are contributing to an inchoate sense of unease in the Fifth Republic, writes Ian Davidson.

A sense of unease hits a lucky land

MOST PEOPLE think that France is one of the luckier countries in the world.

At the moment, however, the French themselves are not so sure. They are aware of all their privileges, but have a nervous sense that times are out of kilter. Perhaps it is just petulant self-indulgence, or perhaps they have a point.

By all the ordinary criteria of national welfare and quality of life, France's good fortune is undeniable, and well-earned into the bargain. France has long been favoured by climate and geography, famous for the quality of its food and drink, and a world centre of art, culture and tourism.

In contrast to the past, it also appears to enjoy a political stability, and a prosperity founded on a thorough modernisation of its economic attitudes and institutions.

France is ahead of other countries in western Europe which are riding on a wave of economic prosperity as the twin shadows of the oil crisis and the Cold War fade.

And yet France seems to be succumbing to this uneasy sense of malaise.

The source and nature of the unease is difficult to pin down and harder to explain.

The malaise is most obvious in the field of politics, even though, by normal yardsticks, the country is being reasonably governed by responsible leaders.

The present team has a socialist label, but the country was also reasonably governed by a conservative team during the two years of cohabitation in 1986-88.

The legitimacy of alternation between right and left has become a new assumption of the Fifth Republic, and reasonable government by responsible leaders seems to have become an entrenched feature of the French political scene.

President François Mitterrand, now well into his 70s and his second seven-year term, gives daily proof of a vigour which belies his age.

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■ Illustrated left: President François Mitterrand (centre) with members of his Socialist Government (from left) Mr Lionel Jospin, deputy Prime Minister, Mr Michel Rocard, Prime Minister, and Mr Laurent Fabius, president of the National Assembly; with conservative politicians on right - Mr Jean-Marie Le Pen, chairman of the far right National Front party (rear), Mr Jacques Chirac, leader of the RPR Gaullist Party, and Mr Valéry Giscard d'Estaing, leader of the centre right UDF.

Illustration by James Ferguson

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GECALSTHOM



Continued from page 1

President François Mitterrand continues to carve a dominant place as one of Europe's leading and most creative statesmen, and he has given France a decisive role in the acceleration of European integration. Undoubtedly, he will have a commanding voice in the debate over future relations between east and west as the situation evolves and as France develops a policy for the wider Europe.

France's minority Socialist Government is well-established, and its steady success in managing the economy gives it a good life expectancy.

It even has a reasonable chance of staying on in office without interruption for the full five years until the next general election in 1993. This would be an unprecedented achievement in the history of the Fifth Republic.

Mr Michel Rocard's position as Prime Minister has been strengthened by his moderate and non-ideological attitude to political debate. His chances of contesting, and indeed of winning, the next presidential election in 1995, have been improved by the damaging power struggles which have undermined the prospects of his socialist rivals.

This is not to suggest that the conservative parties, if they were to win the 1993 election, could not or would not provide reasonable and responsible government. Far from it.

They are still hampered by internal divisions which heavily contributed to their defeat in 1983, but the anguishes for the country's government are reasonably favourable and stable.

But there are serious problems no-one seems to know how to tackle.

The first is the worrying

**The National Front has risen partly because of the large immigrant population**

strength of support for Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front party, which first came to national prominence in 1984.

The first round of the 1988 election when Mr Le Pen unexpectedly scored 14.5 per cent, seemed shocking but unrepresentative. Since then, however, support for the National Front has refused to subside, and recent national opinion polls give it 12-16 per

## Murmurs ruffle a charmed economy

**President Mitterrand's Socialist Government has secured a long-term place in France's history. But division within the parties of both left and right and the rise of the National Front reflect an underlying sense of malaise, partly linked to pan-European integration, writes Ian Davidson**



all to woo the middle ground. These two weaknesses are obviously connected, but they have different implications for the parties on both sides.

Right wing parties know they must unite, but the Gaullists are uncertain whether to convert to moderate nationalism in the centre, or whether to revert to popular nationalism on the right in order to recover the National Front vote.

The Socialists are divided between the obvious material advantages of managing a conservative economic policy, and the loss of popular contact with their traditional political electorate through the sacrifice of the familiar socialist dialectic.

No respectable politician in France now contests the logic of the Community model, or would seriously combat the current surge towards a more integrated Community. This tide in the events of Europe is being given added impetus from the disintegration of the Soviet order, which requires the countries of western Europe to mobilise their collective answers in every field — from economics to security.

But the implications of the Community model are uncomfortably at odds with the historical resonances of French political dogma. Generations of indoctrination in the strong central state, in Jacobinism, in conformism and in corporatism

has not prepared French people for the transition.

The Community model is an implicit attack on all these values. The problem with open markets is not just the threat of competition from abroad, it is also the retreat of the state; it is the replacement of Jacobinism and corporatism by diversity and individual choice.

It is not the Community, of course, which has set out to attack the Jacobin model. On the contrary, it is the Jacobin model which has proved ill-adapted to the evolution of the world economy, while the Community has provided institutional mechanisms for making the transition. Jacobinism may be well suited to a world of stability and uniformity, but this world no longer exists. It is eight years since France accepted the need to decentralise government to the grassroots. In dealing with the problems of immigration, the French Government continues to insist on the Jacobin ideals of uniformity and assimilation. But the scale of the Moslem problem, and evidence of stress caused by the immigrant issue, suggest that this policy, and this attitude, are not working.

There is no way back to the world of Louis XIV. In any case, most Frenchmen would resist such a return, since they are far better off than they have ever been. France is adapting with remarkable success to the new rules of the economic game.

But it should not be surprising if the process of change also entails transitional political and social stresses, including the temporary eruption of the National Front. The transition is made more difficult because the modernisation of France's political institutions has not yet caught up with that of the economy.



Patriotic fervour: 200th anniversary of the French Revolution

cent or even more, with much higher peaks in certain areas.

The obvious reason for the rise of the National Front is that many French people are disturbed by the large immigrant population. This is probably just part of the truth.

Primary immigration into France stopped in 1974. Since then, there has been an increase in the immigrant population, either through legal family reunion or through clandestine immigration.

Annual inflow may be about 100,000, although estimates of the number of illegal immigrants widely range up to 300,000.

Although the number of illegal immigrants is not known, it is hard to believe that there has been an increase on a scale to justify the recent surge in popular anxiety. On the other hand, clear evidence of a serious problem is showing up in immigrant housing where

there is deprivation, discrimination and growing tension.

The "respectable" political parties are showing signs of extreme anxiety while the conservative parties have moved to a radical anti-immigrant posture. Even the Socialist Government has shifted its emphasis from integration to tighter restrictions on all forms of illegal immigration.

A more diffuse explanation for the rise of the National Front is the imminent prospect of the larger European market. France has been a part of the European Community since its foundation almost 40 years ago, and no French president since General de Gaulle has jeopardised this commitment.

But behind the public rhetoric, popular French reflexes were, until quite recently, instinctively nationalist and protectionist.

The Socialist Party was not really converted to the EC

economic co-operation between the member states, as well as a pooling of certain aspects of national sovereignty.

But it is possible that the logic of governments and of political leaders has moved ahead of the logic of popular politics. They may think ordinary people fear the disruptive economic impact of the new Europe, but that they may also feel that their sense of national identity is under threat.

The two explanations are not incompatible, of course.

In spite of the general strength of the French economy, many people may fear the new competitive Europe. And they will be all the more anxious if they also fear intensified competition from immigrants, legal or illegal.

In any case, there is no doubt that Mr Le Pen has become a good thing by hammering away at every variant of the nationalist theme, whether anti-Arab, anti-Semitic or anti-European.

The emotive pulling power



Left: The European Parliament, Strasbourg; right: Demonstration in Carpentras, south-central France, over desecration of Jewish graves



The end of the Cold War spells change for foreign policy and defence strategy

## Manoeuvres in line with a new era

THE END of the Cold War era is forcing France to focus even more energy in the field of foreign policy and defence on east-west relations in general, and on Europe in particular.

France is troubled by a sense of non-European issues: the rise of Islamic fundamentalism in North Africa, especially in Algeria; pressure for emigration around the Mediterranean basin; and the apparent disintegration of corrupt and incompetent regimes in French-speaking black Africa.

But in 1980, these are secondary compared with the urgency of the end of the Cold War era.

In principle, this overhaul of foreign and defence policies should be a largely benign undertaking, for obvious reasons. Like other western countries, France can only welcome the end of east-west confrontation and the shadow of nuclear war. And yet, it is also a difficult process, since the removal of the threat also removes the pretexts for, and exposes the contradictions in, many of France's most deeply ingrained foreign policy reflexes.

One of these reflexes is the assumption that France has a vocation as an independent global power, not a superpower, of course, nor even perhaps any longer a "Great Power" in the 19th century sense, but at least a distinct global power, spiritually, culturally and militarily.

The French empire may have come and gone, but France intends to remain an important force in the world. This aspiration is more than nostalgia for an imperial past. In terms of population or gross national product, France is now only a second-rank industrial power. But in a world where one of the superpowers is wholly discredited, and where the other is uncertainly groping for a renovated role, even second-rank powers may be significant players on the stage.

Yet the collapse of Communism and the disintegration of the Soviet empire in eastern Europe has suddenly made more anxious the challenge to second-rank powers to assert their place and define their role. Long before the counter-revolution of 1989, France had already embarked on a slow mutation of its attitude towards the outside world, both in its civil foreign policy and in its defence policy.

In both cases, the mutation was in the direction of more

solidarity with its international partners, and especially with its partners in western Europe. But this process of internationalisation was still incomplete when the world itself was turned upside down. The mutation has become more urgent, but also more difficult.

Of course, France is not alone: the whole world needs to adjust to the new era, and the adjustment dilemma is dauntingly complex in the European theatre. But the problem is particularly pronounced for France, because of its idiosyncratic relationship to NATO.

France remains a member of the Atlantic Alliance, and successive French governments have insisted on their political loyalty. But for more than 20 years the French have stood aside from the integrated military structures of NATO, because of their ideological commitment to a posture of Gaullist independence.

In the past, this Gaullist principle suited the French well. It flattered their sense of national self-esteem and gave them the benefits without the inconvenience of a security system based on military integration. Through constantly stressing the national independence of the French nuclear deterrent, it may well have played a key role in stifling the emergence of a significant anti-nuclear protest movement in France.

Since his election in 1981, President François Mitterrand has increasingly recognised that Gaullism is not enough, and has sought ways of

strengthening the credibility of France's contribution to European defence. This policy has led to new defence links with France's European partners, and especially with West Germany.

It started in earnest in 1982, when Mr Mitterrand launched a programme of Franco-German defence co-operation.

Two years later the French and Germans jointly promoted the resuscitation of the seven-nation Western European Union defence organisation.

Since then, Franco-German

**It may not be possible to preserve the reflexes of Gaullism**

co-operation has led to the formation of a joint Franco-German brigade. This has been formalised with the establishment of a Franco-German Defence Council. Foreign and defence ministers of the WEU countries hold regular joint meetings, and in 1987 they adopted a common platform on Europe's specific security interests.

These innovations were responses to the problems of their time, however, which were largely caused by President Reagan's unpredictable initiatives towards the Soviet Union, from Star Wars to the Reykjavik summit, and by the prolonged Euro-missile crisis of 1979-1983.

The assertion of France's commitment to Europe's

defence was a useful counterweight to these stresses, but the essential structures of the east-west confrontation remained as fixed as ever.

Today, however, all these structures are up in the air.

The Warsaw Pact is in a state of operational disintegration. If the Vienna conventional force talks succeed, they should almost eliminate the traditional threat of an out-of-the-blue eastern attack. NATO will be radically transformed. It may not even survive.

Western governments will start to debate the future of NATO and the Alliance during the second half of this year.

The French Government has made clear that it wants the US to remain committed to NATO with troops in Europe, and that it wishes Germany to remain in NATO after unification. But the dilemma for Paris is to decide whether France should engage in the debate so as to be a full participant in whatever emerges, or to stand aside so as to retain France's traditional independence. That decision has not yet been made.

Some senior officials forecast that the French Government will in due course make its own proposals for the reform of NATO, which could imply a guarded willingness to consider participation in a reformed structure. Others believe that the independence of French national defence is untouchable under President Mitterrand, and that he has agreed to discuss the reform of only the political Alliance.

On balance, it seems likely

that Mr Mitterrand will continue to skirt round the question of NATO, if that is possible, and thus preserve France's self-image as an independent strategic actor on the world stage. It may not be possible.

The paradox is that the reflexes of Gaullism, which have proved such a durable constraint on France's defence policy for so many years, have virtually ceased to exert any role in the case of France's civilian policy towards the European Community. On the contrary, under Mr Mitterrand, France has been the prime mover urging the Community towards closer integration.

This started in 1984 with the Single European Act which instituted the mechanisms for opening up the single European market. Then came the programme for Economic and Monetary Union, scheduled to be negotiated in a new treaty. This spring there has been a parallel push for a treaty on Political Union, including security policy.

The contrast can be rationalised on the grounds that the Community is a purely European organisation, whereas NATO is not. France objects to NATO integration, largely because it is dominated by the US. But the unstated contradictions are striking.

France wants America to stay in NATO and in Europe, in order to counter-balance the Soviet Union and also West Germany. Similarly, France has stayed out of NATO in order to safeguard a role of national independence. But in the Community, it accelerates moves which would curtail the national independence of all the member states.

Some analysts believe that President Mitterrand's Community policy is moving ahead of what a significant proportion of the French population is prepared for. They argue that the prospect of a large open market, and of a politically-united Community, has helped promote Mr Jean-Marie Le Pen, the xenophobic and anti-European leader of the National Front.

Nevertheless, Mr Mitterrand gives no sign of being deterred from his impetuous pursuit of Community integration. But whether he will succeed in reconciling his defence policy with his Community policy, and if so on what terms, is perhaps tomorrow's question.

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New links: President Mitterrand pictured last year with West German Chancellor Helmut Kohl

Ian Davidson





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## FRANCE 4

Ian Davidson on the reasons for France's rise to better economic times

## The economy has shed its yoke

THE FRENCH economy is doing fine, thank you, and with every year that passes, it seems to do better and better.

Growth is good, inflation is declining, the franc is strong. Yet these indicators of economic vigour tell only part of the story. Behind the conjunctural print-out of a healthy heart beat, there lies a story of structural transformation.

France has been going through a deeper evolution, from an economic model which was closed and interventionist, to one which is increasingly liberal, open and internationalist. In short, Mr François Mitterrand, the first Socialist president of the Fifth Republic, has been presiding over a modernisation and a liberalisation of economic attitudes in France, which may well prove to be the most enduring monument to his presidency.

Mr Mitterrand is not an economist, and he is not normally credited with intense interest in economic matters.

He certainly did not set out with the ambition of turning France into a modern, liberal economy. He would probably prefer to be remembered for the impressive array of large public buildings which have been erected during his term of office, or by the spectacular celebrations of the bicentenary of the French Revolution, which climaxed last summer with the Summit of the Arch.

But to his successors, the real monument of his presidency may well seem to be that it marked the inauguration of France as an open economy with a hard currency.

It has taken seven years to reach this point, since the moment in 1983 when the then

Socialist government was reluctantly forced, by balance of payments pressures, to abandon its ill-starred experiment in reflationary socialism, and conform to the compulsions of the international market place.

From that moment on, successive French governments of both left and right have steadily pursued consistent policies of budgetary restraint at home and monetary stability abroad, in the framework of the European Monetary System.

The results of this policy have been as impressive as they have been consistent.

France has not just chalked

up a growth rate which is sustainably rapid, but has repeatedly exceeded, the growth rate forecast by its own and outside economists in recent years.

In parallel, inflation has kept creeping down, steadily closing the gap with the key inflation rate of West Germany. The French inflation rate may even slide below the German this year.

Unemployment and the trade deficit, the black spots on the French economy, are even starting to improve.

French unemployment is high compared to similar industrial countries for two reasons. The first is that the

Socialist Government's reflation policy of 1981-82 was a misguided and counter-productive response to the effects of the second oil shock of 1979. When it failed, the impact of France's delayed conversion to the necessary economic rigour was all the more severe.

The second reason is that France's demographic profile has remained higher than that of most other industrialised countries. The result is that France needs to create more

new jobs just to maintain a stable unemployment rate.

The trade deficit in recent years became a source of anxiety in France because it was interpreted as an accusation: not merely that the French economy was less competitive than some of its rivals, but also that the competitive gap was widening.

The 1983 deficit increase was easily attributed to errors in the Government's macro-economic management. Conversely, improvement in

the next four years seemed the natural reward for the return to the path of economic righteousness.

Therefore, when the trade balance started to plunge again after 1987, worrying questions were asked, since there had been no change in the continued soundness and steadiness of economic policy. A large deficit on trade in industrial goods, offsetting France's traditional surplus on food, drink and luxury goods, was one of the leading concerns. These problems have started to ease since the beginning of this year, however.

The economy's rapid growth, combined with the Government's active employment schemes, has led to a rate of job creation which has started to overtake the flow of new arrivals onto the job market.

The unemployment total has started to slip below 3.5m, with a rate of 9.3 per cent.

The trade deficit, too, has started to improve since the beginning of 1990.

A deficit is still expected this year, but the better trend is consistent with earlier arguments, that the industrial deficit was partly the result of heavy capital investment by French industrial firms, which is now paying off in terms of

more competitive output.

Moreover, popular French anxieties over the trade shortfall have been placed in much more reassuring perspective by the economists of the Paris-based Organisation for Economic Co-operation and Development. The OECD annual report on France pointed out that the country's trade deficit was, in fact, relatively trivial in relation to the size of the economy.

Indeed, it was this glowing report that alerted the world to the depth of France's economic transformation.

Substantial structural problems remain, of course. The total tax take in France is high by industrial-country standards.

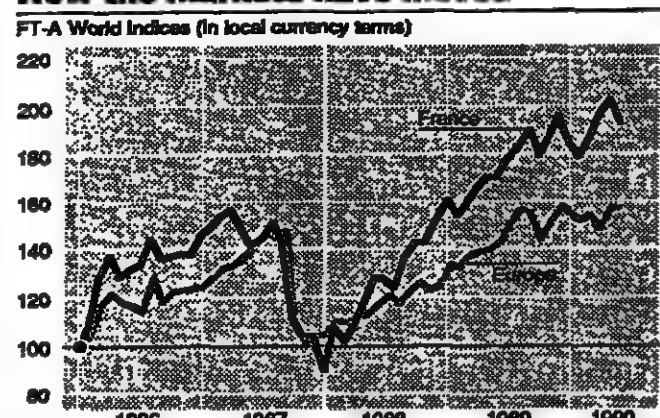
The Government admits that it needs to come down. But tax rates will inductively be forced downwards as a direct result of the Single European Market.

Only continued rapid economic growth will enable the Government to reconcile the twin imperatives of lower budget deficits and lower tax rates. As part of this problem, the Government is facing rising social security costs, both on pensions and on health care.

Needless to say, France still carries marked traces of its history as an agricultural, protectionist, interventionist, cartelised and politicised economy. These are apparent in the still-unresolved ideological battles over nationalisation and privatisation, as well as in the financial scandals which have ensued.

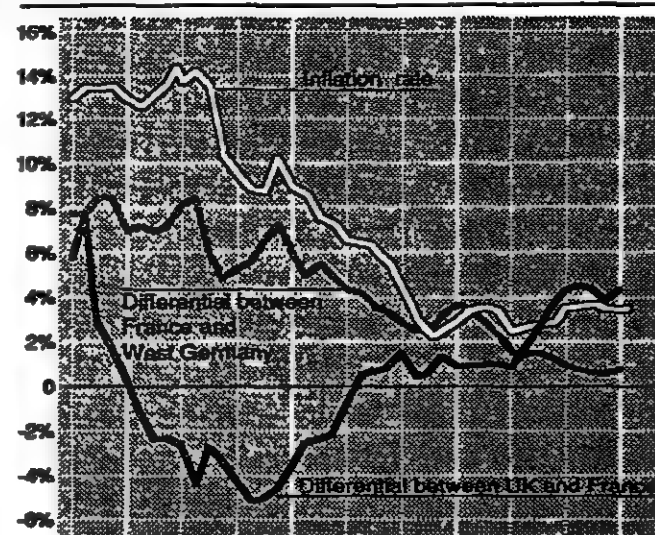
But France's problems are no different from, and may be less serious than, those of its main industrial competitors. That is itself an eloquent testimony to how far the French economy has come.

## How the markets have moved

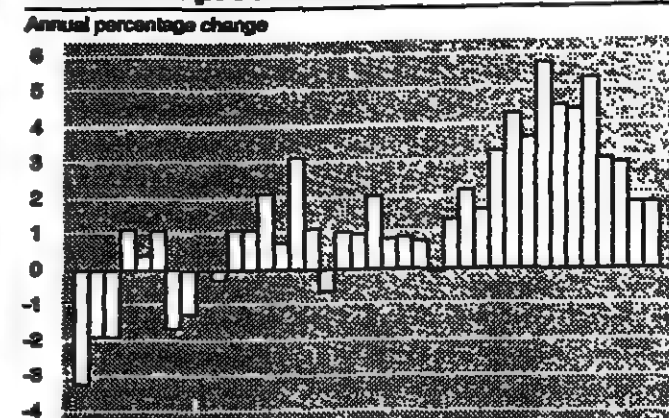


Jointly compiled by The Financial Times Limited, Reuters & Co. and Comptex. World Market Index in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

## Inflation



## Industrial production



George Graham sums up the national attitude to tax reform

## 'An old tax is a good tax'

MR Pierre Bérégovoy, the Finance Minister, and Mr Michel Charasse, his Budget Minister, are likely to have less and less room for manoeuvre as they develop France's tax policy over the next few years.

Their colleagues on the Socialist Party backbenches are becoming more and more clamorous in their desire to use the tax system as a redistributive tool and thus win back some of the party's image as a fighter against inequality.

This image has somewhat been tarnished after years of economic rigour.

The constraints on budget policy are tight.

Firstly, the Government is intent on reducing its budget deficit to FF120bn over the next two years. This is linked both to its broader economic policy, based on a strong franc, and to the rapidly mounting burden of debt service charges.

Secondly, France needs to harmonise several of its taxes because of the Single European Market. French rates for value

added tax, the most important government revenue source, have already been reduced and will have to be cut further.

Savings taxes have also been aligned downwards, in order to avoid the flight of capital to lower-taxed EC countries.

Mr Charasse estimates that France is committed to cut FF120bn of taxes by 1993 in the interests of European harmonisation. Much public sector spending, however, is out of the Government's hands.

Since the decentralisation law of 1982, tax levies for local authorities as a proportion of GDP have increased by 1.1 percentage points, while central government spending has diminished by 1.3 percentage points.

Over the same period, social security levies have increased by 1.2 percentage points. Social security spending, particularly on health and pen-

pay none at all - marginal rates are already severe.

Yet the obvious alternative of widening the number of people who pay is also difficult. This is because the exempt, although not paying income tax as such, are nevertheless heavily taxed through France's stiff social security contributions.

At the same time, finance ministry officials are reluctant to move to Pay As You Earn, suggested last year by Mr Michel Rocard, the Prime Minister - an alternative proposed by the OECD as one way of obtaining a more efficient income tax system. They are convinced that it would lead to a round of inflationary wage demands.

The difficulty of touching the tax structure leads to the housing tax, which goes to departments, a socialist government preferring high VAT rates - degressive in their impact on the population - to more progressive direct taxes.

All the same, would-be tax reformers come back, time and again, to income as a potent tax base. Socialist backbenchers, against the will of the Finance Ministry, recently pushed through a reform of local taxation.

They voted for the portion of the housing tax which goes to departments, some FF11bn out of the total FF120bn levied by the tax, to be based on income, not on rental values as at present.

On a larger scale, the Government plans to introduce a "social solidarity contribution" instead of some of the current social security payments. It would be levied on total income, whereas ordinary social security payments are calculated only on salaries, and are also subject to a ceiling.

What excites the backbenches most of all, however, is the prospect of overhauling

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Car makers Renault, Peugeot and Citroën prepare for 1992

## The changes on the road ahead

FRANCE'S CAR industry, western Europe's largest, has come through a year of tremendous change, littered with ever to negotiate several tough challenges on the road ahead.

State-owned Renault, both test bed and battleground for the Government's industrial policy, and Peugeot plus Citroën, which together comprise France's biggest private company, are more healthy than they have been for years.

They need to be, given the shocks to come from the competitive impact of the Single European Market and the long-expected weakening in European car demand.

Renault has shrugged off the last vestiges of the government-guaranteed "regie" status that has cushioned it from competition since the last war; won an advantageous compromise in a long row with the European Commission over the legality of a FF12bn debt write-off; and struck a wide-ranging alliance with Volvo, the Swedish car maker.

For the first time in its life, Renault has been made to look and behave like a car company competing under ordinary commercial conditions.

Renault's transformation began under the last right-wing government. But its completion by the Socialist administration - greeted with howls of dismay by a much-weakened EC - is a telling sign of the vein of liberal economic thought running through the Government, as well as the determination of the car maker's management.

Peugeot and Citroën have had an almost equally dramatic 12 months. The group overcame the effects of its worst-ever wage strike and brought to the market two highly successful new executive models, the Peugeot 605 and the Citroën XM.

It reported a year of record profits - its fifth straight year of earnings growth.

The turnaround of this formerly near bankrupt giant, engineered by the forceful Mr Jacques Calvet, Peugeot's chairman, is now history. The prosperous and aggressive Peugeot is now setting its sights in Mr Calvet's next target - to move from European number three to become the region's biggest car maker by 1993.

But overshadowing the recent ebullience of France's big three car makers are two serious challenges.

The first is the expected onslaught of Japanese competition, which both Mr Calvet and Mr Raymond Lévy, his counterpart at the wheel of Renault, accept they can delay but not block.

Sensitive to their increasingly urgent pleas, the French Government has exerted with it as the European Community's toughest proponent of temporary EC-wide protection against Japanese imports.

The automobile industry provides one of the few exceptions to the French Government's liberal policies.

Along with electronics and textiles, it is an industry where the administration feels it has a duty to defend national strategic interests at almost any cost.

Perhaps this is also a reflection of the fact that an estimated 10 per cent of the coun-

try's workforce work directly and indirectly in car manufacturing - a heartbeat of the Socialist electorate.

Peugeot and Renault argue they are not ready to face the Japanese, even though enormous progress has been made in automation, general productivity and efficiency through painful restructuring in the mid-1980s. They want Japan's EC market share to be held at its present level of 9-10 per cent until 1992.

Most of the European car industry is behind them, but the EC member states are making painfully slow progress in settling their long-standing dispute on this sensitive issue, despite heavy lobbying by the usually persuasive Mr Calvet.

The problem gets more urgent for France every day that 1992 draws nearer.

The French industry's concentration on volume car manufacturing makes it possibly Europe's most direct competitor against Japan. And the abolition of internal EC trade barriers in 1992 should drastically reduce workable France's current bilateral quotas, limiting Japanese imports to 3 per cent of the French market. Japanese imports could then arrive in a car-quota free country like West Germany for delivery to French dealers on the other side of the barrier-less frontier.

The other cloud on the horizon is the outlook for the European market, which seems to be nearing the end of a growth period that outlasted the most optimistic forecasts.

French car registrations rose 2.6 per cent from 2.21m vehicles to 2.27m in 1989, a record volume that reflected an end-of-year sales rush sparked by the Government's decision to cut VAT on cars from 28 per cent to 25 per cent. It was the second VAT cut since 1987, when French cars were taxed at 33 per cent, among the highest in Europe.

However, that is a feeble growth rate compared to earlier years' registrations and it also came with a worrying rise in the market share of foreign mainly West German and Italian - cars, from 36.8 per cent in 1988 to 38.1 per cent last year.

Overall, registrations increased in the first three months of the year, although a 6.5 per cent drop in April has confirmed the worst fears of some. This is a "serious warning shot," Mr Lévy said in a recent interview. "The good years are behind us... The trading results of Renault and perhaps other manufacturers will be less good than in 1989. We have already started to feel it in the first four months," he said.

Peugeot's two marques hold 38 per cent of the French car market which underpinned the recent 15.4 per cent rise in net annual profits from FF8.5bn to FF10.3bn on turnover up by 10.5 per cent from FF138.4bn to FF153bn.

Renault, with a 29 per cent share of the domestic market,

reported a 5.2 per cent rise in net consolidated profits last year, from FF8.83bn to FF9.39bn. Earnings at group level slipped backwards to FF8.5bn, from the previous year's record of FF8.9bn, because of losses in the US division of the group's truck-making subsidiary.

The French car making trio's main suppliers are already tightening their belts for the expected market slowdown.

Michelin, the world's largest tyre maker, announced early this year that it would freeze non-essential investment and hold this year's stocks at 1989 levels. Valeo, France's main motor components supplier, recently announced plans to close 15 plants and lose around 3,000 jobs from its 34,000 workforce. "We are in a period of consolidation," said Mr Noël Goutard, Valeo's chairman.

Another challenge ahead is the need to meet the whole raft of tough new EC rules on exhaust pollution. These will most affect French producers' traditional territory of small

and medium-sized cars, where they are expected to cause average price increases of 10 per cent. Until recently, Peugeot and Renault were divided on the response, with Mr Calvet, a critic of the EC rules, leaning towards the development of lean burn engines which he argued were more efficient than the catalysts preferred by Mr Lévy, who accepted the EC rules as inevitable.

Peugeot and Renault have launched a joint state-sponsored FF1.3bn research programme over the next eight years - a tripling of the research they now devote to clean cars. Study areas include two stroke engines, alternative fuels like natural gas, hydrogen and oxygen, and electric cars. It is one of the most ambitious collaborative research efforts ever undertaken by French car producers and a fresh recognition of the shared interests presented by the challenges ahead.

William Dawkins

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John Davidson



## MARSEILLES

### Skill And Character.

It takes two hours to drive to Marseilles from the Côte d'Azur. The rocky coast, covered in pine trees, is beloved by yachtsmen because it is cut by deep, long creeks, or calanques.

Marseilles is the Mediterranean's largest port and one of Europe's important industrial centres. The surrounding region is more pastoral, but full of history and art. The Roman ruins at Nîmes and Arles. The Van Gogh landscapes. The Camargue, with its marshes and wild horses.

Big ships and big factories moulded the personality of Marseilles. The city's industrial base is very diversified. Shell, BP, Arco in petrochemicals. Aluminium-Pechiney, Comex, the world leader in ocean drilling and exploration. Many software firms have sprung up in nearby Aix-en-Provence, while 33% of the civil helicopters exported in the world are manufactured by Aérospatiale, the biggest high tech firm in the Marseilles area. The range of businesses extends from a large nuclear industry to the most modern firms.

With 3,600 full-time researchers, Marseilles is one of the leading European cities in industrial R & D. Firms can obtain space at the famous research centre of Luminy, or at the new technopoles of Chateau-Gombert and Arbois, tapping into such advanced research labs as the International Institute of Robotics and Artificial Intelligence.

Marseilles has many things to offer. Good telecommunications. An international airport with direct flights to New York and major European cities. Good schools and universities. Truly beautiful natural scenery close at hand.

And the character and zest of Marseilles and its region.

## FRENCH RIVIERA

### The Bright Way.

The movies have yet to communicate this reality, but the French Riviera is becoming a world centre for telecommunications and technological research. Over 70 multinationals are there, including DOW Chemical, IBM, Rockwell, Texas Instruments, DEC, and Nestlé.

Sophia-Antipolis, the famous Science Park near Antibes, already represents 700 companies and 11,000 jobs. The Park is about to double, covering a total area half the size of Paris. Over 25,000 experts from many nations will be conducting research, mainly in telecommunications, data processing, electronics, and pharmaceuticals. Sophia Antipolis III and IV will be built by the end of the century.

The Riviera also has 30 other business sites and ample plant and office space, all at competitive rates. A scenic highway links all coastal areas, and the Nice-Côte d'Azur International Airport — already France's second largest — has direct flights to the U.S. and Canada as well as major European cities.

The Côte d'Azur's economy is

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DOMINIQUE ARRIGHI

France is the heart of the new Europe that will be born on January 1, 1993. It is the place to be for a foreign firm that wants to operate in that unified market.

But France is also a country of 55 million freedom-minded individualists, and twenty-two regions that mirror the dynamism of the French people. No two regions are alike. All are historically interesting and culturally rich.

## FRANCE

### Regional Vigour.

An association exists to help international companies sort out the pros and cons of France's regions. Its acronym is FRIEND (French International Enterprise Development Association.) FRIEND

works for the benefit of foreign investors, in conjunction with the Ministry of Industry and Regional Planning. It also coordinates its activities with an umbrella organization at the national level called DATAR which in specific cases can offer tax and other incentives to foreign companies investing in France.

Here are brief sketches of four of France's regions and the opportunities they offer.

## NORD PAS-DE-CALAIS

### The Tunnel Gateway.

The Nord Pas-de-Calais is strategically placed to provide a platform for businesses determined to exploit the opportunities of the single European market after 1992.

Situated at the heart of western Europe, with close links with the dynamic economies of Rhineland Germany, Benelux and the South-east of England, the region is ideally situated to provide access to the European Community's 320 m consumers.

The region's communications infrastructure is unequalled. The Nord-Pas-de-Calais already has six motorways running north-south from Amsterdam to Paris and east-west from the channel port of Calais through to Reims.

By May 1993, when the channel tunnel is completed, the region will represent the golden-hub of the European TGV high-speed train network. The Nord Pas-de-Calais will benefit from the additional traffic generated by the tunnel. The operators expect between 30 m to 40 m passengers and 15 m tonnes of freight to pass through the tunnel in its first year. And the ferries, hovercraft and aircraft which carried 67 m passengers in 1988 will, of course, continue to operate. Lille, the region's capital, will soon be offering direct train services capable of 190 miles per hour to destinations such as Brussels, Amsterdam, Paris, Cologne and London.

In addition, the region will provide direct 30 minute services to Charles de Gaulle airport, Europe's second largest and fastest growing international airport.

A highly-educated, efficient and well-motivated workforce is at your disposal in the Nord Pas-de-Calais. The region boasts five universities — which have a bias towards science and technology subjects — as well as 19 schools of engineering and colleges of technology.

At the heart of this exceptional region is the European Business Centre at Lille. The city is planning to provide offices, shops, homes and a World Trade Centre on a 110 hectare site located right next to the TGV station. The first phase, consisting of 55,000 square metres, will be ready in 1993.

France, after Paris.

International companies have also been drawn by Grenoble Isère attractiveness and quality of life. Cap Gemini Segret, SGS Thomson, Hewlett-Packard, the Open Software Foundation, to name a few, have located their operations in Grenoble.

The world-leading US workstation computer manufacturer, Sun Microsystems, has just decided to install near the city its International Centre for Network Computing.

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## GRENOBLE ISÈRE

### Success Is No Chance.

Located at the foot of the Alps, the area has motorways leading north and south from Paris and Geneva to Marseilles and Barcelona, as well as east and west from Lyon to Milan. The three national airports — Grenoble, Lyon and Geneva — provide frequent international flights. The famous "TGV" links regularly Grenoble to Paris in three hours.

One of the significant advantages

of the Grenoble-Isère region is the quality of its exceptionally well-educated and highly-skilled workforce. The area has three universities, and eight engineering schools with a total of 36,000 students.

With such a pool of talent, it's hardly surprising that so many research institutes have decided to locate here. Among the most notable of these, which employ about 8,000 people, are the Grenoble Nuclear Research Centre, the Data Processing Technology and Electronics Laboratory and the Max Von Laue-Paul Langevin Institute.

Last, but not least, the European Synchrotron Radiation Facility is setting up researchers and plans to host 2000 scientists a year. Grenoble is the largest R&D concentration in

growing by 10% a year, compared to 3.5% for all of France. But this growth is being carefully monitored to honour the Riviera's beauty and minimize pollution.

Employees of the 55 American firms sited on the Côte d'Azur know the advantages of living and working there. Beaches on one side, the Alps on the other. First rate schools and universities. 40 museums and three symphony orchestras.

In the 21st century the French Riviera will undoubtedly be a technological showcase, but it will still be the French Riviera with 300 days of sunshine a year.

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## FRANCE 6

THE LONG journey from Paris south west to La Rochelle and Rochefort takes you through the huge wheat fields of the famous Paris Basin, where rich soils and intensive farming, backed by generous subsidies from Brussels, have helped turn France into the European Community's premier cereal producer.

South of Rochefort the scene is dramatically different. There are wheat fields, but they are small and yield less well. Cheek by jowl with the traditional low-lying pastureland, they look incongruous as they push up even against the sea-shore itself.

Changes in the way the Paris Basin is farmed are unlikely in the next few years, but if schemes about to be introduced elsewhere succeed, the conquest by arable crops of the low-lying *marais* of France's south-west coastal region will be halted.

France is belatedly waking up to the need to protect fragile environments from the plough, fertilisers and pesticides. In what Mr Henri Nallet, Minister of Agriculture, describes as "a new frontier for farmers," the Government has recently announced an action plan to make French farming more environmentally sensitive.

The centrepiece of the plan involves the designation of more than a dozen special environmental protection zones along the lines of the environmentally sensitive areas introduced by Britain three years ago - and falling under the same EC legislation.

The canton of Rochefort Nord, embracing about 6,000 hectares of the polder-like *marais*, is one of these. The others are mainly in the Massif Central and in the south.

However, Mr Nallet insists that the new "green" plan will cover many factors. In a recent interview he projected a general, if voluntary, campaign to reduce the use of nitrate fertilisers by as much as 30 per cent in the next three to four years. He also hopes to encourage a reduction in pollution from livestock effluent, primarily in the interest of pure drinking water, as required under EC directives.

Projects to maintain the quality of food through more judicious use of pesticides and other chemicals will be included. The Government also intends to encourage organic farming and the more extensive farming of livestock in areas threatened with "desertification," the word used to describe the combination of human depopulation and destruction of landscape by encroaching bush or forest fires which is beginning to be a feature of many of the country's least favoured areas.

Mr Nallet, who announced the green plan on April 24, acknowledged that France was behind several northern EC states in seeking to introduce more environmentally friendly farming. Although he maintained that his ministry has been studying the possibility of introducing environmental protection measures for at least a year - and had in fact designated four of the special protection zones towards the end of last year - he acknowledged the sudden surge of public interest in environmental issues this spring had "precipitated" his announcement.

For a long time, "perhaps because of national characteristics or our culture," France had been less sensitive to environmental questions than Britain, he said. "We felt we were relatively less seriously affected by pollution."

Several factors had combined to change this attitude and growing public awareness of the severity of the drought of

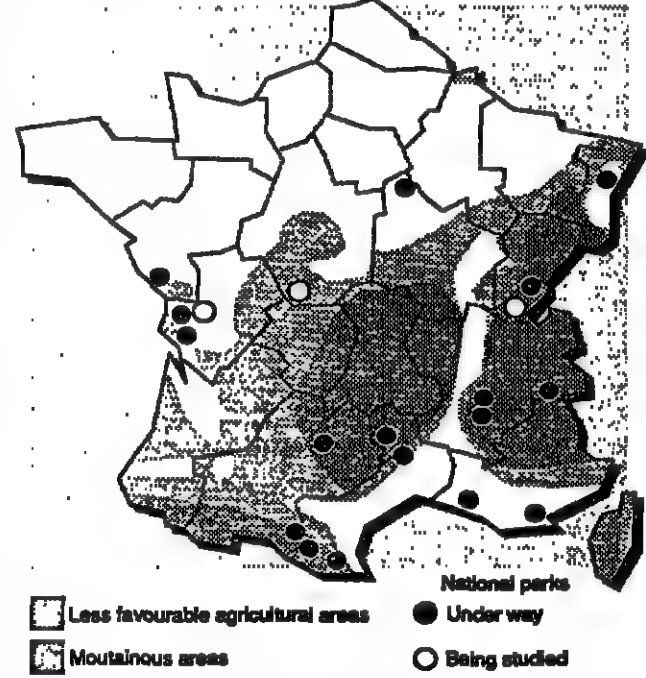


In Paris, a French farmer stands under the Louvre Pyramid with his cow to protest on milk quotas imposed by EC regulations.

Agriculture: Bridget Bloom on the Government's action plan

## A curb on intensive farming

Agriculture and national parks



the last two years, as well as the increasing awareness of food safety issues, ranging from salmonella and listeria to cheese to the recent tracas over the safety of beef.

Clearly, however, an additional factor was the public row in March precipitated by Mr Nallet's Cabinet colleague, Mr Brice Lalonde, the Minister of the Environment, who accused French farmers of being big polluters and called for action to improve their record.

Critics accuse Mr Nallet of being long on rhetoric and short on action. So far, they say, all he has done is belat-

edly to indicate that France intends to apply EC regulations which permit - or in some cases actually insist - on measures enforcing greater environmental control on farming, usually in return for compensation for farmers.

These range from article 19 of regulation 797 of 1985 which allows the establishment of environmental protection zones to the much tougher rules in prospect on water pollution by nitrates.

Certainly, French officials in charge of the new environment programme admit that France lags behind Britain, which established 19 environmental-



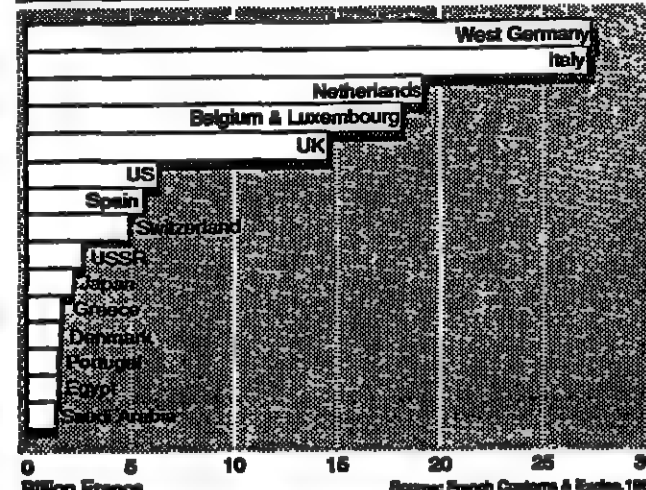
Mr Henri Nallet, Minister of Agriculture, speaks of "a new frontier for farmers." Critics accuse him of being long on rhetoric and short on action.

ly-sensitive areas three years ago and this summer is setting up a dozen experimental nitrate-sensitive areas.

"We are still in the laboratory," says Mr Jean-Marie Michelet, president of the Chamber of Agriculture in the Department of Charente Maritime and thus intimately involved in the creation of the special protection zones in the *marais*.

These two projects - the one north of Rochefort and another covering 18,000 hectares centring on the 17th century fort of Bruguieres - illustrate some of the distance still to be travelled.

Agriculture: principal importers



The aim in both cases is to protect the sensitive landscape and soils and thus also the wild life of the *marais*, much of which was under the sea only 300 years ago. Most of the *marais* was subsequently reclaimed for low intensity pasture, first for horses for the military and more recently for beef and dairy cattle - the area is famed for its high quality butter.

However, the *marais* is now in danger, largely because of much more extensive drainage schemes began in the 1970s and early 1980s when generous grants were available through the EC. It is this drainage which has resulted in today's fields of wheat, maize and sunflowers and in a drastic reduction in traditional pastures.

As conceived, the two *marais* projects are designed to maintain the present precarious balance between traditional and arable land. Farmers will be offered five-year contracts involving compensation of up to FF1,100 a hectare to maintain traditional pastures provided certain rules concerning the use of fertilisers and pesticides are obeyed. Apparently, there will be no aid to recoup wheat fields to pasture, as is given in some British schemes.

Farmers in the area say that the money on offer, which is about half the average rate offered in the UK, will probably attract only the most marginal farmers.

Critics of the scheme point out that, because it is voluntary, it may be difficult to apply - over 30 different organisations, representing arable and livestock farmers as well as fishermen from the coast and oyster farmers and even hunters were among those so far consulted about the scheme. Their co-operation will be essential, once the pro-

ject receives the approval of the Commission in Brussels, to make it work. It is too early to tell whether the Rochefort projects, or those elsewhere, will take off, let alone whether possibly as many as 50 new ones, which officials now mention in longer-term plans, will follow.

French farmers, reared on the need to maximise production, speak disparagingly of becoming "park keepers."

On the other hand, France badly needs policies to help ameliorate the toll of intensive farming on the countryside as well as arrest "desertification" which is beginning to affect so much of the central Massif Central and the remoter southern areas.

In an interview nearly two years ago, Mr Nallet said France had two distinct farming sectors: that which was or should be competitive with the best of the rest of the EC, centred in the north of the country; and (with the exception of the wine growing areas) that in the south and west.

"You could draw a line from Nantes in the west through Montargis and Strasbourg in the east and everything south of that could become a great national park," he said, only half jokingly.

Mr Nallet's preoccupation in the past two years has been to make France's competitive agricultural sector more so and to alleviate the problems of the rest. His task has been complicated on the one hand by a downturn in the fortunes of farming as a whole because of the reforms of the Common Agricultural Policy and on the other because of the age structure of France's farming population.

Although some 7 per cent of the active working population is still on the land (compared to under 2 per cent in Britain) more than half of those estimated 1.5m people are over 50 and have no actual or willing successors - a phenomenon which underlies much of the desertification.

Mr Nallet's domestic reforms are aimed at easing restrictions on farm size; simplifying tax and pension systems by aligning them to those prevalent in the rest of the economy; and at improving the ability of co-operatives to raise investment finance.

The reforms are styled, however, over what is probably the most important measure - the proposal to abolish the complex system of land taxes which bears heavily on many of the poorer and smaller communities. The problem is primarily political, since local governments depend on the tax for much of their revenue, and the Finance Ministry is not apparently keen to examine alternatives.

Mr Nallet himself has come under increasing fire from farmers' organisations over the past few months for his alleged failure to act effectively on their behalf as they feel the effects of the reforms of EC farm policy introduced in the mid-1980s. Although officials figures show that farming income overall rose by just over 8 per cent last year, income had remained stable or had actually declined in the previous seven years. Last year's rises were occasioned partly by increases in production but more through an increase in prices, notably for oil seeds, the calves and pigs.

Recently farmer discontent has been fed by the continuing effects of the drought, together with declining prices for beef and lamb and, above all, with the effect of the farm gate price settlement agreed by the EC farm ministers last April.

French farmers say this left them at a competitive disadvantage to their British counterparts.



Mr Michel Rocard, the Prime Minister: "Whatever the weather over the coming weeks, water resources this summer will fall short in certain regions - the overall position is now considered more serious than at the same time in 1989."

## Drought hits maize crop

THE DROUGHT which has affected much of France over the last 18 months may already be having a semi-permanent effect on cultivation.

According to the French farmers' union, the FNSEA, farmers have sown 14 per cent less maize this year compared to last and have stepped up their plantings of sunflower and sorghum.

The principal reason appears to be that these crops need approximately a quarter of the water needed by maize.

The areas most at risk, according to a special inter-ministerial group set up to monitor the drought, are towards the north of the country with a pocket in the central region.

Mr Michel Mougel, in charge of water at the Environment Ministry, warned last month that it might soon be necessary also "to sound the alarm bells" in the centre of the country.

France had a marked shortfall in rainfall last winter on top of shortages in 1988-89 and, according to Mr Michel Rocard, the Prime Minister: "Whatever the weather over the coming weeks, water resources this summer will fall short in certain regions."

"The drought group estimates that in the period from November to April, when water reserves are normally replenished, only the west, north-east and parts of the north had their normal rainfall."

"The overall position is now considered more serious than at the same time in 1989."

Although lower prices for maize have had an impact on the farmers' decision, the main reason for the shift in crops appears to be drought.

Irrigated maize, about a fifth of the total, needs between 200-400mm of water a hectare compared to sunflower and sorghum which needs 50-100mm.

France has also ordered TGVs for the high-speed line due to open between Madrid and Seville in 1992. Meanwhile, South Korea, Canada, California and Texas have all made inquiries, attracted by the TGV's commercial and technological performance.

To maintain the TGV's edge against foreign competitors, such as Japan's ageing Shinkansen and West Germany's more expensive InterCity Express, France has recently launched a FF655m five-year research project. This is separate from the SNCF's larger investment plan and is jointly backed by itself, two government ministries and GEC-Alsthom.

Its target is to lift the TGV's top commercial speed from 300 kph to 350 kph, a technologically difficult achievement since it requires a 25 per cent increase in power with a minimal increase in weight. It will also need to run on the four different standards of electrical current now in use across Europe's rail networks, have much stronger brakes and pressure-sealed carriages.

Whatever the technical challenges, it is significant that the SNCF is already devoting so much to the renewal of what many people already think of as a very modern train.

It shows that the TGV, from being an experiment between Paris and Lyons in 1981, has fully come of age as today's standard bearer of French transport policy.

William Dawkins on the country's TGV ambitions

## A rail hub for Europe

FRANCE is bolstering its claim to make its rail networks into an important European transport hub with an ambitious investment programme for its celebrated Train à Grande Vitesse (TGV).

A multitude of new lines is now being planned to place Paris at the centre of the European high-speed rail network of the future.

Whether this will really reinforce Paris's claim to be a major European capital or simply force it to compete more directly with other capitals, remains to be seen. Either way, a top priority of the SNCF, the French rail board, and the Government, is to make the TGV the heart of Europe's modern rail networks.

Today, the TGV is riding high in French public opinion, shown only last month by the public acclaim which greeted the achievement of a new world rail record of 515.3 kph by an only slightly modified trainset - well over half as fast as an Airbus jet.

The success of the nine-year-old Paris-Lyons line, which cut the journey time between the capital and France's second city to just under two hours, has prompted the SNCF, the French rail board, to open a second TGV link, due to start full services this autumn.

Further ahead, the French Government is considering a FF185bn outline plan, drawn up jointly by the Transport Ministry and Mr Jacques Fourrier, the SNCF's president, to build another 3,500km of TGV lines and rolling stock.

The plan is a reflection of future needs, from which the Government will pick possibly two immediate priorities, rather than a firm construction programme.

But even so, very few railway authorities in the world can even begin to think on this scale, a telling illustration of the importance the TGV occupies in French transport policy.

It certainly elicits wistful comments from officials and customers of British Rail, for one. The scheme, due for a final Government decision by the end of the year, is the first such planning exercise for the TGV. It proposes 14 new lines, from which the Government is expected to select a 430km line east of Paris to Strasbourg and a 344km extension to the existing Lyons route, southwards to the Mediterranean coast.

This is on top of the link from Paris to the Channel Tunnel, with branches to London and Brussels, which has already been agreed and is due to come into service in 1993.

The Strasbourg line has one of the poorest profit forecasts of any of the projects in the TGV plan, but it is seen by the Government as a politically important key to strengthening Strasbourg's increasingly challenged hold on the European Parliament and other prestige European institutions.

The final routes will be decided through negotiation between the Government and local authorities, some of which, typically in the north, are vying with each other to attract the TGV to help their local economies. Others such

as in Provence, see it as an unwelcome environmental threat. "Everyone wants a TGV station, but nobody wants the line," mourns Mr Michel Delabarre, the Transport Minister, a sentiment that echoes the

problems found by British Rail in choosing a route through Kent for its Channel Tunnel express link.

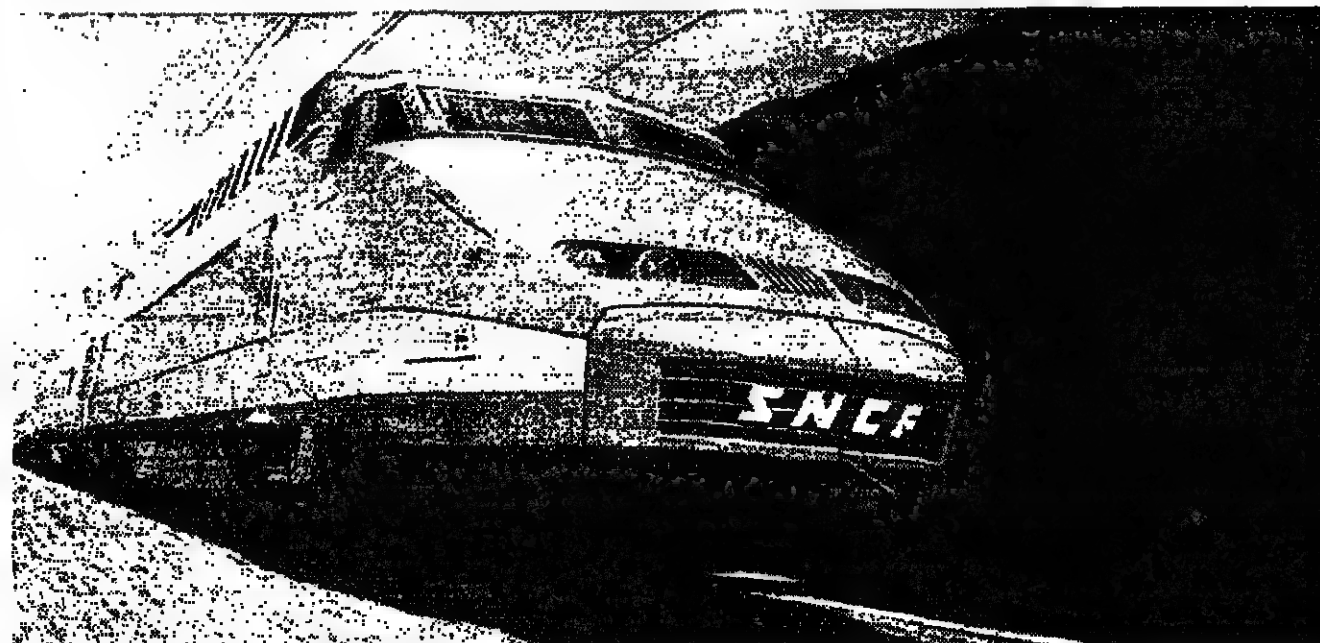
The Paris-Lyons line has shown that the TGV is both more profitable than expected as well as helpful to economic

activity, except for domestic air travel, against which it competes.

On average, the Paris-Lyons line now sells between 20m and 30m seats a year, far more than the 2m to 4m needed to break even, according to Professor

Alain Bonnafant, head of Lyons University's Transport Economy Department, which advises the Government's rail planners.

Some industries in and around Lyons originally saw the TGV as a mixed blessing -



TGV at speed: linking Paris to Western France, the "TGV Atlantique" will reduce the journey time to Le Mans to around one hour, travelling at 300 kph, making it the fastest commercial railway in the world.

Just in time



William Dawkins assesses the fall in military spending in the aerospace industry

## The civil sector takes centre stage

LIKE ITS counterparts in Europe, France's aerospace industry is still searching for the right balance between the growing civil aviation market and shrinking demand from the defence industry.

The tension has mainly been a financial one, although analysts are divided on how much longer it has to go.

The decline in military demand, the traditional source of sales and the motor for research and development, has made urgent the industry's search for international partners, and forcing it to quickly restructure to focus on the buoyant civil market.

As an illustration of the market's complete change, civil sales reached 47.5 per cent of the French aerospace industry's turnover last year. This compares with a mere 30 per cent at the start of the 1980s.

The civil sector provided the thrust behind the industry's increase in sales to FF93.4bn last year, 12 per cent more than in 1988, as well as being the main feature in a 22 per cent rise in order books.

The main lift has come from the commercial success of the Airbus family of passenger jets, assembled by state-owned Aérospatiale, the world's tenth largest aerospace group and a leading partner in the four-nation Airbus consortium with a 37.9 per cent stake.

It also owes something to the marketing successes of the ATR commuter aircraft, built jointly with Aeritalia, the Italian aerospace group.

All this allowed France's aerospace companies to record a combined FF138bn trade surplus last year, one of the few French industrial sectors to do so.

However, there are one or two, probably short term, clouds on the civil horizon, mainly surrounding Airbus.

Aérospatiale estimates that the 17-week strike at the British Aerospace wing-making factory will cost Airbus at least \$300m this year. The impact of the dispute over safety with the Indian Government following the crash of an A-320 at Bangalore in February has also not been evaluated.

Meanwhile, the Franco-Italian ATR programme will have to pay dearly for the recall of 130 ATR-42 commuter aircraft,



CFM56-3 engines assembled at General Electric's Ohio plant.

following fears of premature cracking in the junctions between the wings and fuselage.

Aérospatiale and Aeritalia are likely to have to devote two years and \$50m to modifying the aircraft, so pushing the programme's break-even point further into the future.

But these are irritations rather than catastrophes. The influence of civil markets is clearly illustrated by the fortunes of the main players.

Aérospatiale doubled its order books last year when civil sales reached 56 per cent of the total, only the second time in the company's history that they have exceeded military activities.

A newly-confident Snecma, the state-owned aircraft engine maker, has reported its first annual profit for three years, chiefly thanks to fast growing civil orders for the CFM56-50 engine it makes jointly with General Electric of the US for Airbus and Boeing.

Civil sales accounted for 76 per cent of Snecma's turnover,

and military activities the rest — the reverse of the pattern of the company's activities 10 years ago.

Family-run Dassault, the celebrated producer of jet fighters, has found it more difficult to diversify.

This is a reflection of the Government's continuing belief in the need for France to have its own independent advanced fighter aircraft as well as what many analysts see as Dassault's own excessive faith in being able to survive on a limited but technically well regarded line of jet fighters.

Dassault thus continues to be heavily reliant on military sales, which accounted for 76 per cent of turnover last year.

Even so, it has dramatically cut its costs in recent years and pushed its Falcon family of business jets, so that they should, according to Dassault's plans, account for 55 per cent of turnover by the mid 1990s.

Dassault is pinning its hopes for a military future on the development of the Rafale, which made its first test flight

with the new ultra-light Snecma M88 engine in February and is due to enter service in 1996.

Rafale has come under criticism from those who see no need for a second military superjet on top of the one being developed by four-nation European Fighter Aircraft consortium.

It has not yet attracted international partners and is one of several French military equipment projects criticised by experts, including Mr François Halaboure, director of the International Institute of Strategic Studies. They say it is unnecessarily expensive and ill-suited to Europe's changing political situation.

Nevertheless, few observers believe the French Government is likely to drop its commitment to this high prestige project, nor that it will attempt to force Dassault into a merger with a stronger partner like Aérospatiale.

Overall, the picture is of a flexible and adaptable industry, well up to the mark in the international alliances sweeping across the aerospace world.

About 40 per cent of all French aerospace work is undertaken in collaboration with international partners, according to Gifas, the industry organisation.

Most notable among foreign aerospace alliances in the last year has been the long term co-operation agreement between Lockheed of the US and Aérospatiale. This has yet to produce practical results, but it underlines both companies' recognition of the general importance of expanding international alliances.

Further ahead, there is the joint Aérospatiale-British Aerospace feasibility study, announced last month, into a new generation of supersonic passenger aircraft to succeed Concorde early next century.

The US and West Germany have both said that they will co-operate with the study, demonstrating their recognition of the fact that for all the present strength of the civil market, the market can only support one supersonic passenger aircraft.

However, the most specific alliances have been in defence, where the pressures to pool activities have been greater.

This includes the merger of Aérospatiale's helicopter activities with those of West Germany's Messerschmitt-Bölkow Blohm, an illustration of the partners' realisation that Europe does not need four helicopter producers in the face of the long-term squeeze on defence budgets.

The new company, known as Eurocopter, is due to be started in France by the end of the year, with a FF1.01bn annual turnover, making it the world's second largest helicopter maker after Sikorski of the US.

The partners had been talking since 1987, but the French Government wanted to see the West Germans join in with a separate European programme to build a military transport and tactical helicopter, code named the NH90, before signing the Eurocopter deal in April.

Also in the military sector, there is the merger of the missile systems businesses of the state-controlled Thomson-CSF electronics group and British Aerospace.

This will create what will be Europe's largest cross-border defence equipment company by the time the venture, named Eurodynamics, is operating at the end of this year.

At the same time, the French Government has been encouraging a certain amount of concentration and rationalisation between domestic companies.

Only two years ago, Aérospatiale and Thomson-CSF pooled their flight electronics businesses to form the largest European group in that speciality.

This was followed last year by the Government's consent for a joint satellite-making venture between Alcatel, the privately owned electronics group, and Aérospatiale.

The common drift in this whirlwind of activity in France's aerospace industry is that the movement towards a greater concentration on civil markets — which are themselves getting fiercely competitive — appears to have a way to go.

Meanwhile, the process of concentration among the players on the military side of the aerospace industry is still in full swing.

## DECENTRALISATION

## A bloodless revolution

FRANCE is in the midst of a second bloodless revolution.

Much more gradual than the first, it is turning one of Europe's most highly centralised nations into one of the least centralised.

The process began in 1982, less than a year after President François Mitterrand took office, and was heralded by Mr Pierre Mauroy, then Prime Minister, as the big event of Mr Mitterrand's seven-year term.

Many laws and official texts have since been adopted to establish the rights of local authorities, their powers and the relationship between them and central government.

The volumes stand a foot high and will soon be even higher. A new bill, still in draft form, should be on the statute books by the end of the year.

One of the principal aims is to reduce the number of "communes." France has about 36,000 of them, more than all the other 11 European Community countries put together.

France clings to the tradition of its communes more vigorously than its neighbours. This is why Mr Pierre Joxe, the Interior Minister, scrapped the idea of forcing mergers and decided to encourage voluntary co-operation through so-called communities of communes and large towns.

A first attempt to cut numbers by force in the 1970s failed. Belgium, West Germany and the UK were streamlining their administrative structures too, but nowhere was the opposition as fierce as in France.

Many of the marriages have since ended in divorce with the result that three or four new communes have been created every year.

"Independence is so firmly rooted politically in the communes that we realised it would be impossible to compel them to join forces," explained Mr Pierre-Benoît Lemas, director general of local authorities at the Interior Ministry.

Mr Lemas has been involved in decentralisation since the beginning. He helped Mr Gaston Defferre, the former Interior Minister, prepare the first piece of legislation in 1982, and is one of the architects of the latest bill.

The new legislation is also designed to decentralise the state machinery, to give the people a bigger voice in local

politics and to protect the rights of local politicians.

Not that a precarious existence has been much of a deterrent to office holders.

Since the French were banned from holding more than two elected posts at once in 1985, several have given up their seats in the National Assembly in order to keep local ones. They have often opted for places on the *Conseil Général*, the ruling body of the *département*, which is third out of four in the administrative pecking order, after central government and the region and before the commune.

The former President Valéry Giscard d'Estaing is the most celebrated departure from the National Assembly because of the two-only rule. He resigned his seat in favour of the Auvergne Regional Council and the European Parliament.

Politicians' choice no doubt reflects the shift of power. The large French cities, such as Paris, Lyons and Marseilles, have the power that wealth brings. But the big winners are the departments. The president of the General Council, instead of the state representative or prefect, is now the chief executive, and departments have been given more new responsibilities than either regions or the communes.

For example, the departments run the health and welfare programmes which account for an average of 55 per cent of their budget throughout the country.

However, the departments do not hold much of a place in the perceptions of French youth. In a nationwide poll conducted among the under-18s last year, an overwhelming majority said the most important elected posts were those of President of the Republic and mayor.

Looking further ahead, though, experts believe the regions will predominate as European integration progresses. They predict that inter-regional infrastructure and economic development issues, both within the same country and across borders, will become the focus of attention as frontiers between the 12 EC members disappear.

One problem is the complex and contested finances between the state, the 22 regions and the 100 or so

departments and the communes which the Joxe Bill does not address.

For Prefect André Terrazoni, a reform of the local tax system is the key. This is "the second stage of decentralisation, without doubt the most important, but the most difficult to achieve," he wrote three years ago.

"Everyone knows that he who pays commands, (so) the question remains whether local authorities' real independence and their power would not be accomplished by a... decline in state funding," he wrote.

At the moment, local authorities are financed from taxes; from payments for responsibilities taken over from central government based on actual spending; and from operating allocations. The allocation is indexed on the Government's value added tax revenue, and is growing faster than the budget as a result of healthy economic growth. There is talk of changing the ground rules, which local politicians resent.

They believe their constituencies should benefit from the good times just as they suffered from the bad when the economy was not performing as well.

The spread of grassroots democracy may be a target of decentralisation, but local authorities with a rising majority complain they have their hands tied by the unrealistic laws imposed on them.

For a while, they reached their own compromises with left-wing oppositions and the Prefect, but now they say the letter of the law is coming to the forefront.

Other criticisms of decentralisation include increasing corruption at local level and waste of resources.

An assessment of what has happened to decentralisation is not far away.

The Government plans to set up an Institute of Local Authorities at the end of this year or in early 1991, whose first task will be to carry out a stocktaking of the decade.

Barbara Cassau

\**La Décentralisation à l'épreuve des Fautes* by André Terrazoni (Librairie Générale de Droit et de Jurisprudence)

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## FRANCE 8

George Graham analyses the effects of the Government's privatisation/nationalisation policy

## Companies learn to live within bounds

IN HIS re-election manifesto in 1988, President François Mitterrand laid down a doctrine on the future of France's nationalised companies.

Privatisation must end, he said, but there would be no renationalisation of the 12 groups sold off under the right-wing government of Mr Jacques Chirac in 1986-88.

The doctrine of neither privatisation nor renationalisation, which came to be known as the "ni...ni..." had an apparent simplicity and clarity. Within weeks, however, it became clear that the reality was going to be neither clear nor simple.

The division over the "ni...ni..." was not always along party lines, but it came to dominate the debate on industrial policy.

For one side, the obvious need of many state-owned companies for fresh capital made it inevitable that, sooner or later, the Government would have to relent and start at least partial privatisations. For the other, state companies could exercise their ingenuity to find new funding techniques, but the letter of the President's doctrine must not be infringed.

The financing problem was a real one, both for banks and for industrial groups. In their efforts to meet new international capital adequacy ratios, Banque Nationale de Paris or Crédit Lyonnais were at a disadvantage to their privatised competitor, Société Générale, which could raise new equity with relative ease.

In the industrial sector, state groups like Pechiney and Rhône-Poulenc had embarked on ambitious acquisition and capital investment programmes, especially in the US, with the encouragement, but not the cash, of their state shareholder.

Funding was found, but the expedients used have their drawbacks. "The French public sector seems to be adopting, almost systematically, what some claim to be the former defects of the private sector: capitalism without capital, cascades of holding companies, capital without voting rights, independent co-opted managers, closed financing clubs," complained Mr Roger Chénouard, an Opposition senator, in a report on nationalised industry.

Nevertheless, the concentration on the "ni...ni..." debate has concealed the fact that a working arrangement over the status and role of the state sector has been achieved.

At the end of 1988, when Mr Pierre Bérégovoy, the Finance Minister, gave his blessing to a

stock market raid led by Mr Georges Pébereau on the recently-privatised Société Générale, private sector businessmen were deeply anxious about the Government's intentions and about the likelihood that it would use state-owned financial institutions to intervene in the market.

In the event, the Société Générale affair was to prove decisive in creating the new *modus vivendi*. The refusal of Mr Jean Peyrelevade and Mr Michel Albert, heads of the two main state insurance companies, to back the raid staked their claim to autonomy from the Finance Ministry.

The private sector's acceptance of the current equilibrium owes much to Mr Peyrelevade, in particular, one of the architects of the 1981 nationalisations, he has now become for many the symbolic guarantor that the nationalised institutions will play by the market's rules.

"If he were just Jean Peyrelevade or just the chairman of UAP, he would not have the same influence. It is the combination of the man and the position that is important," says one senior private sector banker.

At the same time, the heads of many state-owned companies, who three years ago dreamt of being best on the privatisation list, have decided that it is rather comforting to have the state as shareholder to protect them against the threat of takeover.

Even the funding problem has to be seen in perspective. Mr Bérégovoy points out that in the last 24 months, FF183.4bn of fresh capital has been supplied to public sector companies. Of this, only FF13.8bn came from state cash injections, and FF11.1bn from the write-off of debts. On the other hand, FF134.3bn came from the financial markets and FF66.7bn from reinvested profits.

"This makes the debate on the state's role in industry look a bit outdated. Our policy was described as financial acrobatics, but it succeeded, and it was not perilous at all," Mr Bérégovoy concluded.

The debate over the "ni...ni..." doctrine has, in fact, served as a smokescreen to an active, and even aggressive

industrial policy carried out by France's nationalised companies.

Even more than the private sector, French state-owned banks and industries have strenuously developed their European strategies. For example, steel maker Usinor-Sacilor with the acquisition of Saar-

stahl in West Germany and a series of deals strengthening its core products and shedding others where it was less competitive; Crédit Lyonnais building a European banking network with acquisitions in Belgium, the Netherlands and Italy; or UAP, with substantial stakes in Belgium's Royale

Belge insurance or the UK's Sun Life. Nationalised companies have also taken advantage, like private sector companies such as BSN or St Gobain, of a window of opportunity which has left French companies, both because of their strategic impulses and because of objec-

tive financing advantages, among those best-placed to make substantial acquisitions in North America.

The most active has been Rhône-Poulenc, whose spending spree recently culminated with the purchase of the Rorer pharmaceutical group for \$1.7bn. Others have not been

left behind, however. Included are Elf Aquitaine, the oil major, with its \$1.05bn takeover of the Pennwalt chemicals company; Pechiney with the \$1bn acquisition of American National Can; or, on a much smaller scale, BNP's \$40m purchase of Central Bank in California.

While foreign takeovers passed without challenge from the exponents of President Mitterrand's "ni...ni..." pledge, the doctrine has been sufficiently relaxed to allow some substantial acquisitions by state companies within France. The most striking example came earlier this year when Air France paid FF73.8bn for UTA, its only significant French rival on international routes, acquiring in the process control of Air Inter, the dominant French domestic airline.

The deal is still under close scrutiny from Sir Leon Brittan, the EC competition commissioner, but in France there was hardly a cry of "rampant nationalisation" to be heard.

The last 18 months have even seen the re-emergence of a state effort at sectoral strategy, with the reshuffle of the various nationalised chemicals companies. This ended in the break-up of Orkem - once the consistent loss-making offshoot of the state coal mining group, Charbonnages de France, refocused and returned to profit in the last two years - and the division of its businesses between the rival state oil groups, Elf and Total, both of which have been actively developing their chemicals divisions.

Nevertheless, the structures of the state sector have appeared to be excessively rigid in recent years - partly because of total concentration on the privatisation process in 1986-88, and partly also because of the desire to respect the autonomy of each company's management - at a time when the private sector has undergone radical restructuring and concentration in the face of the opening-up of the European single market.

Two important questions remain unanswered, however. Can the current harmonious working arrangement with the private sector last? And what does the Government really

have in mind for the state sector?

The working arrangement rests to a large extent on a handful of influential managers in the state and private sectors. Mr Peyrelevade, for example. Some businessmen believe that there is so clearly no alternative to the market economy that the Government has no choice but to respect the autonomy of its appointees. Others are more circumspect.

"For the moment, the fashion is for autonomy, and the chairmen of nationalised companies know that the best way to have their contracts renewed is to make profits. One cannot rule out, however, the possibility of a future government or a future generation of state company chairmen have a different idea of their role," comments one leading private sector businessman.

The Government's policy for the nationalised sector poses the more fundamental problem of what justification there is for maintaining state ownership. With a few rare exceptions, such as high definition television, there is little evidence of the Government's will to use the state sector as an instrument for policy aims, or even that its attitude as shareholder allows nationalised companies to escape from "short termism" and excessive concentration on quarterly earnings.

Most chairmen of nationalised companies say that their criteria for return on investment are identical to those of their private sector counterparts.

"What is the purpose of state ownership if the state sector's time horizons for return on investment are no longer than the private sector's?" asks a former senior adviser to the Socialist Government, rejecting the argument that protection against foreign takeover represents an adequate justification for nationalisation.

It is in this context that the need of the state sector for capital may force the "ni...ni..." debate to the forefront again. If the Government has no industrial policy in mind for the companies it controls, why deny them access to the stock market when they need to raise funds?

When the state sector's need for equity becomes too pressing to ignore, will the Government decide that it has a different role to play, or will it conclude that it behaves so like any other shareholder that partial or even total privatisation would make no difference?

## LEADING FRENCH COMPANIES

Company	Main sector	Chief executive	1989 sales FFy bn	1989 net profit FFy bn	Ownership	Stock market capitalisation and April FFy bn
Peugeot SA	Cars	Jacques Calvet	153	10.3	Private	43
Renault	Cars	Raymond Lévy	174	9.3	State	-
Elf Aquitaine	Oil	Lôk Le Roch Prigent	150	7.2	State	72
Usinor-Sacilor	Steel	Francis Mer	94	6.5	State	-
COG	Electricity	Pierre Suard	144	4.9	Private	62
Navigation Miste	Holding	Marc Fournier	8	4.7	Private	27
France Telecom	Telephones	Marcel Roulet	94	4.5	Administration	-
Saint Gobain	Glass	Jean-Louis Belfa	66	4.3	Private	57
LIAP	Insurance	Jean Peyrelevade	94	3.4	State	-
Pechiney	Aluminium	Jean Gandois	85	3.3	State	-
Rhône-Poulenc	Chemicals	Jean-René Fourtou	73	3	State	-
LVMH	Drinks	Bernard Arnault	20	2.9	Private	88
BSN	Food	Antoine Riboud	46	2.7	Private	44
AGF	Insurance	Michel Albert	36	2.5	State	-
IBM-France	Computers	Pierre Barazer	41	2.6	Foreign	-
Thomson-CSF	Electronics	Alain Gomez	34	2.5	State	16
GAN	Insurance	Francis Helbronner	57	2.5	State	-
Michelin	Tyres	Francis Michelin	55	2.4	Private	14
Axa-Midi	Insurance	Claude Bébér	45	2.3	Mutual	-
Lafarge-Coppée	Cement	Bertrand Colomh	30	2.2	Private	22
Total	Oil	Serge Tchuruk	108	2.2	State	19
CEA Industrie	Nuclear	Philippe Rouvillois	34	2.2	State	-
Air Liquide	Gases	Edouard de Royère	28	1.8	Private	38
Vieille	Insurance	Jean Arvis	99	1.8	Private	-
Générale des Eaux	Water	Guy Dejouany	99	1.8	Private	49
L'Oréal	Cosmetics	Lindsey Owen-Jones	27	1.8	Private	91
Pernod-Ricard	Drinks	Patrick Ricard	17	1.5	Private	16
La Poste	Mail	Yves Couesquer	68	1.5	Administration	-
SNL	Nickel	Yves Rambaud	4	1.3	State	-
Carrefour	Retail	Michel Bon	74	1.2	Private	22
BP France	Oil	Raymond Bloch	28	1.2	Foreign	7
Béglin-Say	Sugar	Jean-Marc Vermees	37	1.1	Private	10
Havas	Media	Pierre Dauder	19	1.0	Private	24
Ciments Français	Cement	Pierre Combe	19	1.0	Private	11
Cerus	Holding	Carlo de Benedetti	n.a.	1.0	Private	11
CMB Packaging	Packaging	Jean-Marie Descarpentrie	21	0.9	Private	15
Schneider	Electricity	Didier Pinnau-Valentin	46	0.9	Private	15
Sanofi	Pharmaceuticals	Jean-François Dehaesq	17	0.9	State	18
Valeo	Car parts	Noel Goutard	30	0.9	Private	8
Air France	Airline	Bernard Allail	40	0.8	State	-
Canal +	Television	André Housselet	5	0.8	Private	18

## BANKS AND FINANCIAL INSTITUTIONS

Company	Main sector	Chief executive	1988 sales FFy bn	1988 net profit FFy bn	Ownership	Stock market capitalisation and April FFy bn
Caisse des Dépôts	Financial institution	Robert Lion	1,488	4.8	Administration	-
Crédit Agricole	Retail bank	Yves Bessalou	1,400	4.5	Mutual	-
Suez	Merchant bank	Renauld de la Genière	785	4.1	Private	62
Société Générale	Commercial bank	Marc Vénard	1,017	3.6	Private	37
Paribas	Merchant bank	Michel François-Poncet	607	3.4	Private	49
BNP	Commercial bank	René Thomès	1,143	3.4	State	-
Crédit Lyonnais	Commercial bank	Jean-Yves Haberer	1,220	3.1	State	-
Compagnie Bancaire	Financial services	Andre Levy-Lang	221	1.1	Private	13
CIC	Commercial bank	François Carrière	483	1.0	State	-
Crédit National	Long term credit	Paul Mentré	115	0.8	Hybrid	7

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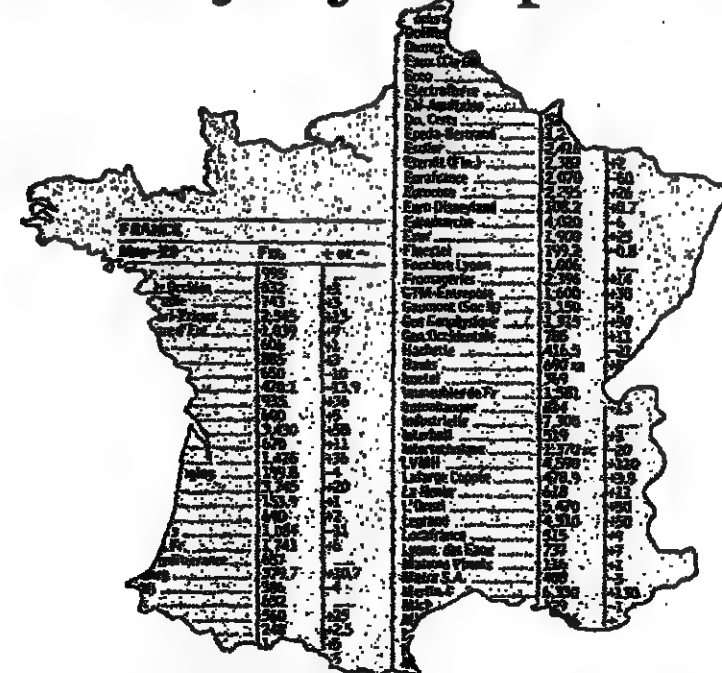
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Ian Davidson views the political landscape

## Old parties' appeal slips

BY MOST conventional indicators, the politico-economic situation in France should be set on a predictable and stable course for several years. But there are peripheral signs which suggest that the underlying situation is not all that stable, that the traditional political parties may need to rethink their policies and their rhetoric, and that if things are out of kilter, the constitution may be partly to blame.

In the short run, the conventional indicators are not necessarily wrong. The Socialist government of Prime Minister Michel Rocard looks likely to remain in power without too much difficulty until the general election of 1993. The absence of an absolute majority in parliament is a handicap, but is largely compensated for by the divisions within the right and centre-right opposition, as well as by the reluctance of the Communists to vote the Socialists down.

The prospect of continuing rapid economic growth should be a major electoral asset for the Government, especially when it is achieved through conservative economic policies which the right-wing opposition cannot easily attack.

By the same token, a change of government would be unlikely to result in a major change in policies. A conservative ministry would no doubt revive the privatisation programme which was interrupted by its electoral defeat in 1988, and it might also rescind the Socialist's wealth tax, but in most other respects the conservatives would be unlikely to make vast changes in the economic agenda of the Socialists.

A similar consensus between left and right would be likely to ensure continuity for the Socialist Government's strongly pro-European policy.

The Gaullists are beginning to back away from some of the most far-reaching aspects of the long-term goal of economic and monetary union, such as the creation of a single European currency; and some of them would be touched on a raw nerve if the question of a more integrated European defence became a live issue.

But none of the respectable parties, whether of left or of right, has cast any serious doubt on the broad principles

of President Mitterrand's pro-European policy, notably the twin pillars of liberal markets and stronger Community institutions.

The appearance of stability on the French political scene is made flesh in the stability of the cast of characters.

On the left, Mr Rocard has for many years been the youthful darling of the French public, always about to challenge for the top spot, never quite challenging. Through luck, judgment and patience, he now appears virtually certain to be the favourite to take over from

**The prospect of continuing rapid economic growth should be an electoral asset for the Government, especially when achieved through conservative economic policies the right-wing opposition cannot easily attack**

Mr Mitterrand as the Socialist party's standard-bearer in the 1995 presidential elections.

On the right, the faces are even more familiar. Mr Jacques Chirac has twice run for the presidency, and twice lost. As leader of the Gaullist party, he seems likely to run yet again. Former President Valéry Giscard d'Estaing seemed condemned to the wilderness after he was defeated by Mr Mitterrand in the 1981 presidential election. But with remarkable courage, he has climbed back from the bottom to firmly establish himself astride the UDF umbrella grouping of centre-right parties.

Both these elder statesmen proclaim the obvious truth, that the right must be united if it is to have a serious chance of getting back into power. But neither is yet prepared to surrender the leadership to anyone else. Younger politicians, both in the Gaullist party and in the UDF, have made various unsuccessful attempts to break the grip of Mr Chirac and Mr Giscard on the established party machines.

In the spring of 1989, a dozen young politicians led by Mr Michel Noir, the Gaullist mayor of Lyon, embarked on a half-hearted attempt to set up a cross-party "reformist" movement embracing both the Gaullist and the UDF. But they were soon cowed by the party bureaucracies.

This spring Mr Noir has

made a new attempt to create an inter-party group, with the title *Le Force Unie*, in partnership with Mr François Léotard, leader of the centre-right Republican Party. But there is no sign that they are succeeding in shaking the established party machines.

On the contrary, it seems evident that Messrs Chirac and Giscard will both be determined to run in the 1995 presidential election, excluding all their younger rivals. On current polls, however, neither would have a chance of beating the Prime Minister.

Mr Rocard's presidential prospects have been enormously strengthened by in-fighting within the Socialist Party (PS). The personal preference of President Mitterrand would have been to hand over the banner to his young favourite, Mr Laurent Fabius, president of the National Assembly. But Mr Fabius blew his chances this spring, when he tried to take control of the PS by storm, and succeeded only in precipitating a damaging split. As a result, the President has now acknowledged that Mr Rocard is the obvious party candidate.

These pre-presidential manoeuvres are no doubt the inevitable consequence of a constitution based on presidential power. They take too little account of the parliamentary arithmetic and the next general elections will take place two years before the presidential elections.

The problem is that the polls seem to indicate a serious weakening of the appeal of the traditional parties, both of right and left.

The Socialists are suffering the effects of two years in power, with a poll support of only 26 per cent, some 10 per cent down on the 37 per cent at the 1988 general election. But the Gaullists and UDF are also worse off, with a combined support of only 35 per cent.

In contrast, the Ecologists are getting 12 per cent to 15 per

cent support, while Mr Jean-Marie Le Pen and his extreme right-wing National Front is scoring 13 per cent to 15 per cent. The strength of support for the National Front may be a temporary phenomenon, in response to the current surge in tension over France's immigrant problems. But the overall impression of these figures is that there is widespread popular disenchantment with what is on offer from the traditional political parties.

This disenchantment may be a reaction to the consensus overlap between left and right.

If the traditional parties agree on so much, whether on economic or on foreign policy, the disenchantment may turn to the secessionist fringe. Already in the 1988 elections there were signs that the traditional parties had lost touch with ordinary people, and their over-familiar leaders may have lost further ground since then. If the latest figures were translated into votes, a coherent parliamentary majority might be difficult to stitch together, whether on the left or on the right, unless, of course, the respectable conservative parties were to do a deal with the National Front.

Respectable conservatives profess horror at the racist propaganda spread by Mr Le Pen, and disclaim any idea of a deal. But they are all looking for a way to pick up his votes, without being obvious.

The dilemma is acute, because the Le Pen factor will make even more difficult the creation of a united conservative party. Some populist Gaullists are tempted to flirt with the ultra-right, but the CDS centrists are naturally repelled. If there were a single big conservative party, it could contain a right-wing strand without difficulty, but the tensions between the right and the centre make it difficult to create such a party.

The danger is that these tensions, between the need for political consensus and the need for antithesis, will remain unresolved, and may cause the political system to become unstable. At the very least, none of the established political forces appears at present to be making a compelling emotional appeal to the anxieties of the French electorate.

## IMMIGRATION

## The Socialists get tough

THE DEBATE on immigration in France is taking its tone more from fear than from facts. A sign is that the concept of a "threshold of tolerance", with its implicit threat of a white backlash, has slipped into respectability, adopted not only by the politicians but also by the President.

At what level of immigration toleration snaps is not specified, nor can it be. In this debate the figures are as elusive as the facts.

Nor does this year's census, the first for eight years, throw much light on the picture.

The "immigrant" on which fears focus is typically Muslim and of North African origin. He or she may well hold French nationality. The second generation, also widely perceived as "immigrants", will almost certainly hold French papers, or have the right to. The census covers foreigners in terms of nationality. It does not ask an ethnic question. It thus includes as foreigners categories within the EC not popularly perceived as immigrants, and classifies as French many who are felt to be alien. Of the former, the Portuguese are the largest group; of the latter, the Algerians.

A working estimate of the literally foreign population is around 4.5m, of which some 40 per cent is from the Maghreb. Overall immigrant births were 3.6 per cent of the total in France in 1989, 11 per cent in 1985. Average family size is diminishing among Algerians, not yet among the more recent arrivals from Tunisia, Morocco and Turkey. Primary immigration from the Maghreb is now a trickle. Family reunions from all sources are on the decline but cumulatively they have brought several hundred thousand to France in the past decade. Asylum-seekers doubled last year to 30,000.

The political polemics centre on clandestine immigration. Here the figures are useless: the range starts at around 300,000 and goes as high as 1m. Legal and illegal categories tend to merge in a grey area of semi-official over-stayers, such as students and asylum applicants eventually turned down.

But the dilemma facing the orthodox parties far exceeds the issue of illegal immigration. The so-called "immi-

grant" debate exposes uncertainties about national identity in a country still (to outsiders) intensely nationalistic.

The rise and rise of Mr Jean-Marie Le Pen, the extreme right-wing National Front leader, has been aided by events of the past year. The Rushdie affair provoked disquieting fundamentalist echoes, followed last autumn by the "headscarf affair," which assumed a disproportionate significance as a perceived threat to secular state education. Mayors in two communes with high proportions of immi-



Jean-Marie Le Pen

grants took unilateral action to stop any further inflow. Both the Socialist government and leading figures from the centre-right opposition called for a consensus on the immigrant question, but each on their terms. The Socialists wanted a round-table to consider the problem of racism, the right sought an agenda centred on immigration. By June this year it was clear that the consensus was still-born.

After a number of fatal attacks on young Arabs, the desecration of Jewish graves in the southern town of Carpentras revived the spectre of anti-semitism. The Government's attempt to lay the blame on the climate created by Mr Le Pen, like most efforts to anathemise him, was reinterpreted as martyrdom.

The united display of outrage in the demonstrations that followed Carpentras had its roots in the guilt of centuries, but had little to do with the issue of post-war immigration. The respectable parties may in time discover some agreed approach to the relatively recent, and far more numerous, Muslim presence in France, but it seems not yet.

The opposition coalition cannot in practice achieve the unity it knows it needs for survival. It cannot even agree on whether to talk to Mr Le Pen.

On the Government side, the public emphasis has shifted well to the right. Mr Michel Rocard, the Prime Minister, has shelved any plans to give immigrants the vote in local elections. In a "minimum charter" presented as the basis for the hoped-for consensus, he proposes stricter application of the rules governing tourist visas, tighter processing of applications for asylum, and increased penalties for employers of clandestine labour and for anyone helping illegal immigrants into the country. The Prime Minister has also stressed that delays in handling asylum applications have already been reduced from years to weeks.

But the new emphasis still fails to satisfy the Right, which would like, among other things, to see French nationality for children of overseas origin born in France become less automatic. At the same time, the Socialist tough line forfeits links with the young immigrant lobby on the Left.

Less prominently billed have been the steps taken by the Government to accelerate the social integration of immigrants legally settled. New structures were installed in the winter: a senior council and an inter-ministerial committee to examine and propose action.

The French approach to the integration of immigrant communities addresses the problem of social deprivation. The poorer communities where immigrant families are concentrated, mainly round Paris and other major centres in the south and north-east, receive state aid for rehabilitation of property and extra staff and funding in schools. Programmes in the 1980s to revive declining satellite estates are now being complemented with ambitious pilot schemes for whole agglomerations: the aim is to co-ordinate all services, public, private and voluntary, in rectifying factors such as lack of training that lead to social exclusion.

The Socialists' "minimum charter" grants additional funds to the inter-ministerial body co-ordinating these pro-

grammes. Educational priority zones are again to receive extra resources, and the state is reassessing a more direct role in the allocation of low-cost housing, commonly denied to immigrant families.

However, distinctions between the needs of immigrant families and the needs of any deprived family are studiously avoided. The reasoning is threefold. The French urban poor require support too; immigrants of different origin have little in common and should not all be lumped together; to single out immigrants, still more their French-born children, is racist. But these arguments fail to take into account the one factor that Third World immigrants do face in common: racial discrimination.

In the daily lives of immigrant families, discrimination plays a role that can be decisive. Many communes prefer to leave flats empty rather than let them to North Africans. Today's thriving economy has demanded a high price in unemployment, paid disproportionately by immigrants.

Measures to provide a counterbalance to discrimination are felt by the French establishment to be too divisive (or politically risky). Positive discrimination is not within the spectrum of the debate. Anti-racist laws exist, but without a mechanism for enforcement. Cultural pluralism tends to be dismissed as "the Anglo-Saxon model", interpreted as separatism rather than tolerance.

The French tackle social problems in an effort to assist integration, and shy away from the issue of race. The British in the past decade have tended to do the reverse.

Neither approach would transplant easily. Current politics and past history are against it. An illustration is the reaction in France to any suggestion that the census might include an ethnic question. "God forbid," says one academic. Distinguishing categories of citizenship had been introduced in France only twice. Once for the Algerians who fought on the French side in the war of independence, and a lot of good it did them. The other time was for the Jews in Nazi-occupied France.

Jennifer Monahan

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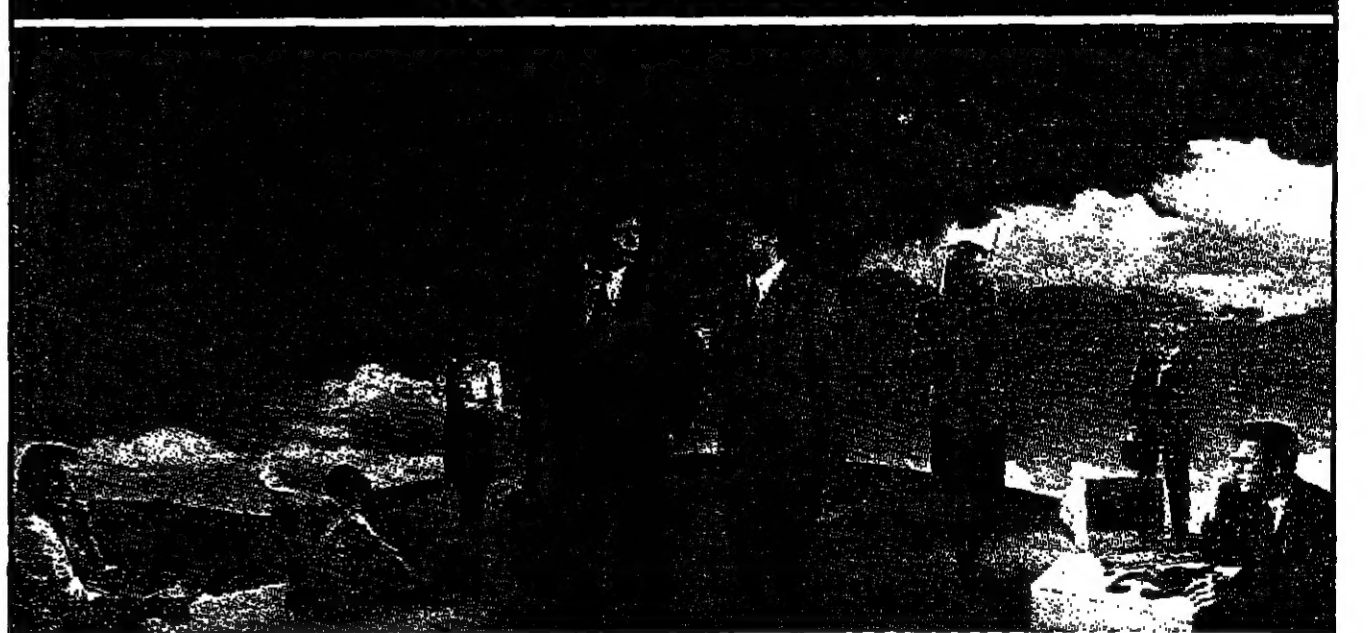
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COMPAGNIE	PEUGEOT
DU MIDI	RHONE-POULENC
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## FRANCE 10

## FINANCIAL MARKETS

## Paris takes on London

LAST YEAR, foreign investors nearly tripled their purchases of French stocks and shares to FF190.6bn, with equities and Treasury bonds and bills leading the way.

The figures were statistical confirmation for Mr Pierre Bérégovoy, the Finance Minister, that foreigners were learning to love the French economy, which had already begun to win plaudits from international observers, such as the Organisation for Economic Co-operation and Development.

Mr Bérégovoy's Ministry proudly announced that the investment surge "expresses the confidence of international investors in the franc and in the prospects for the French economy."

The figures also illustrated the strides the French capital markets have made, reinforcing Paris's eminence among the financial centres of continental Europe. It is perhaps the only European head-on in a position to compete head-on with London.

A conscious policy of deregulation, carried through by successive left-wing and right-wing finance ministers, has provided France with the tools for international financial operations. These include formal stock, bond and futures markets, liquid interbank markets in short-term instruments, foreign exchange and derivative products, and since the beginning of this year, free capital movements.

Deregulation of the capital markets and a progressive end to the multiple control of specialised and often subsidised lending circuits that characterised France 10 years ago led to an explosion in bond market activity in the first half of the 1980s: from FF106bn of new issues in 1981 to a peak of FF347bn five years later.

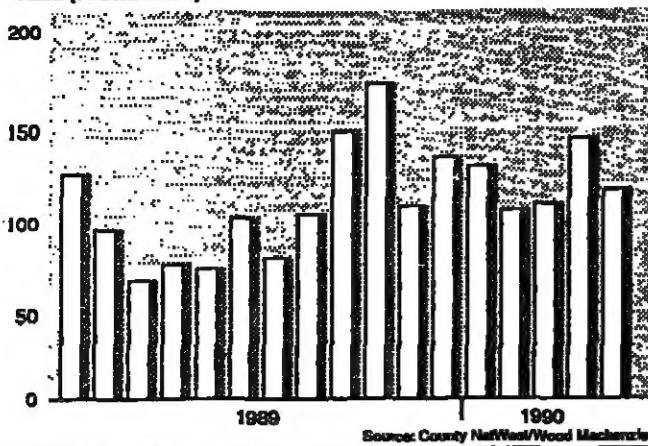
This growth was too rapid to continue, but new issue volumes have been sustained at FF346bn in 1988 and FF329bn last year, with non-state issuers now once again claiming a growing share of the pie.

Primary equity issues have displayed an even more explosive growth. From an average of just over FF30bn a year in the early 1980s, new equity issues took off to FF73bn in 1986, almost doubling the following year to FF137bn.

This volume has continued to grow, almost unchecked by the stock market crash of October 1987, to reach FF152bn in 1988 and FF140bn last year. Perhaps more significantly, public share offerings, which averaged FF3bn a year in the early 1980s, have maintained their presence. New public issues, which reached a peak of FF63bn in 1986, dwindled in

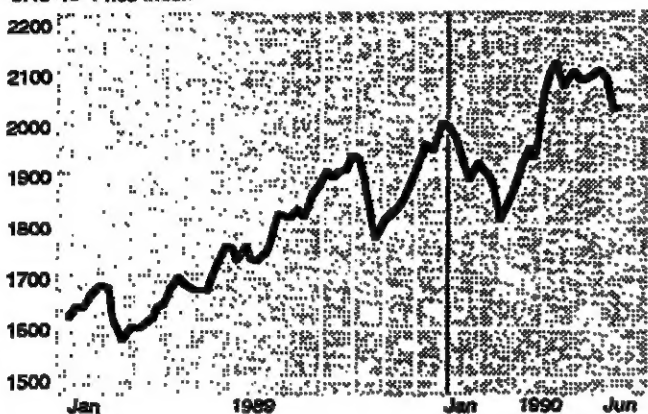
## Paris Bourse turnover

Value (France billion)



## Paris Bourse

CAC 40 - Price Index



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the wake of the 1987 crash, and totalled FF32bn in 1988. But they recovered to FF59bn last year. In the shorter term markets, growth has been equally spectacular.

At the end of May, the Bank of France counted FF670bn of certificates of deposit and short-term notes in issue from banks and financial institutions. The commercial paper market, created only at the end of 1983, counted FF172bn from 116 different issuers.

The Paris foreign exchange market has also developed, and

a Bank of France survey last year also showed daily turnover averaging \$36bn - less than London, but doubled in the space of three years.

The market has also turned to more complex derivative products: the Bank of France estimates that there are FF500bn of foreign exchange options outstanding, for example, while according to Crédit Lyonnais, the state-owned commercial bank, Paris trades FF65bn a month of caps and floors, with liquidity as good as 10 years ago at six months, and boasts a thriving over-the-counter market developed principally by Société Générale, the privatised bank.

Reinforcing these markets is a formidable effort to improve back-office functions, most notably through the Bistock exchange settlement system that is gradually coming into operation this year.

All the same, some French bankers still admit that Paris has been unable to take advantage of the economic difficulties of the UK to catch up much ground from London - although French banks have snapped up some of the British fund management groups available for acquisition.

They fear that the current buoyancy of the French market may owe too much to France's favourable economic conditions, and too little to French institutions' capacity to steal business away from their UK financial counterparts.

But as Mr Philippe Lagayette, deputy governor of the Bank of France, points out, Paris's development as a financial centre has been inextricably linked with healthy expansion in the French economy. "Financial globalisation is a fact of life, but that does not break the link between financial activity and the real economy; a financial centre depends on the soundness of its economy and the soundness of the main currency in which business is conducted," Mr Lagayette said at a recent conference.

George Graham

## EDUCATION

## A push for greater equality

EDUCATION HAS always had a high profile in France. It is an issue which brings crowds out into the streets and can be a graveyard for ministers who fail.

But it also incites celebration. To those used to the stratified and decentralised English system, the day of the philosophy examination for the baccalauréat provides an impressive demonstration of national values. It is a pity that Mrs Angela Rumbold, the UK Education Minister, who begins an official visit to France today, was not around to see teachers and, better still, government ministers being asked by the media to produce instant but convincing answers in three philosophical parts.

Education has a particularly high political profile. Campaigning for a second term of office, President Mitterrand made it his "priority of priorities" and that has gone into the Government programme.

At one time, Mr Michel Rocard wanted to keep education for himself, in addition to being Prime Minister. The Minister, Mr Lionel Jospin, who, as a former Socialist Party secretary, was destined for a high profile, job, was not around to see teachers and, better still, government ministers being asked by the media to produce instant but convincing answers in three philosophical parts.

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To take the main ones over the past 18 months, there has been a renewed commitment to get no less than 80 per cent of the age group to baccalauréat level; there is a expansion plan for the (non-selective) universities which are expected to have another 300,000 students over the next five years; there is a

programme to attract more teachers into the expanding profession, including raising pay and status significantly, and reforming teacher-training.

Curriculum policy has become much more widely consultative. A European ambition is to write the philosophy examination for the baccalauréat provides an impressive demonstration of national values. It is a pity that Mrs Angela Rumbold, the UK Education Minister, who begins an official visit to France today, was not around to see teachers and, better still, government ministers being asked by the media to produce instant but convincing answers in three philosophical parts.

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programme to attract more teachers into the expanding profession, including raising pay and status significantly, and reforming teacher-training.

Curriculum policy has become much more widely consultative. A European ambition is to write the philosophy examination for the baccalauréat provides an impressive demonstration of national values. It is a pity that Mrs Angela Rumbold, the UK Education Minister, who begins an official visit to France today, was not around to see teachers and, better still, government ministers being asked by the media to produce instant but convincing answers in three philosophical parts.

the final destruction of the system. A French Minister of Education can say what is being taught in any school at any time, thanks to the centralised curriculum. Now, the diversity of real life is not only admitted but encouraged with the notion that schools be more open to their community and much more attentive to individual needs.

This time, it looks like becoming reality. For another strand in the development of the new policy is that a centralised system has become almost impossible to manage and finance. "Working in partnership" is the new mode.

The decentralisation laws which have management and maintenance responsibilities for lycées and collèges to the regions and the departments respectively are, however, successfully unlocking local cash along with local pride. Indeed, regions would now like to get their hands on at least the first cycles of universities.

Inevitably, the new policy is delicately balanced. And, of all the criticisms that the new developments excite, the worry that the state is no longer the guarantor of standards features almost as widely as the more obvious criticism that quality is being sacrificed to quantity.

The attachment to national curriculum programmes and national standards, however, is strong for practical as well as ideological reasons, bringing together a business community unhappy to see barriers to mobility raised and those who fight for more equal opportunity.

However, there is little evidence of the French state withdrawing from its infrastructure role in education. You only have to read a phrase like "the state will" and it is its mission to provide necessary support in the new university plan, and see senior French civil servants shuffling backwards and forwards to Brussels to the office of Mr Jacques Delors, or in operation at international conferences. What is happening is that the state is responding to a new context on the principle well-known to the French administration that you do not fight the underlying trends, you, as they say, "accompany" them.

Indeed, as the French take an active role in promoting European-wide projects which, as the new law puts it, are based on such European characteristics as "curiosity, creativity and the capacity to adapt" and the British say "that's not in the Treaty of Rome," one may wonder if the TGV scenario is on replay.

The new law may even mark

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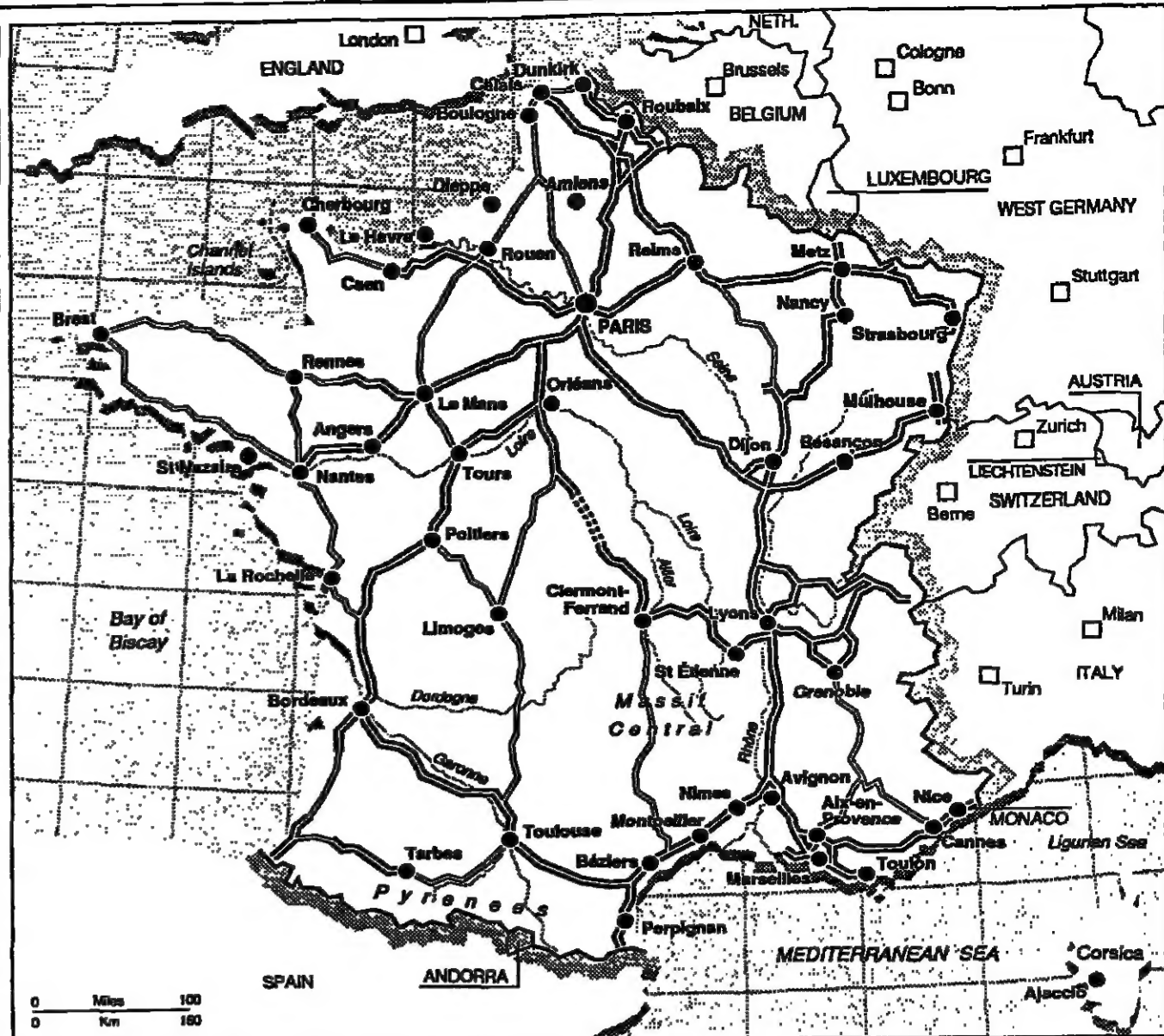
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Anne Corbett



## KEY FACTS AND ECONOMIC INDICATORS

Area	643,200 sq km	Currency	1 Franc = 100 centimes	
Population	55.75 million (1988 estimate)	Average exchange rate	5.96 Francs per \$ (1988 average)	
Head of State	President François Mitterrand		6.38 Francs per \$ (1989 average)	
<b>THE ECONOMY</b>				
	1988	1989	1988	1989
Total GDP (\$bn)	955.68	957.66		
Real GDP growth	3.5%	3.3%		
□ Components of GDP (%):				
Private consumption	60.1%			
Gross fixed capital formation	20.3%			
Increase in stocks	0.7%			
Government consumption	18.7%			
Exports	21.5%			
Imports	21.5%			
Current account balance (\$bn)	-3.548	-3.586		
Exports (\$bn)	173.0	176.7		
Imports (\$bn)	173.0	186.2		
Trade balance (\$bn)	-5.418	-6.932		
Export volume (% growth p.a.)	6.7%	8.4%		
Import volume (% growth p.a.)	8.1%	7.1%		
□ Main trading partners (% of total value):				
Exports West Germany	16.7%	16.0%		
UK	9.4%	9.5%		
Belgium/Luxembourg	8.6%	8.9%		
United States	7.0%	6.0%		
Netherlands	5.4%	5.6%		
Spain	5.2%	5.8%		
Imports West Germany	20.0%	19.5%		
UK	11.8%	11.8%		
Belgium/Luxembourg	9.3%	9.2%		
United States	7.8%	7.7%		
United Kingdom	7.4%	7.2%		
Netherlands	5.4%	5.2%		
Spain	4.3%	4.4%		
Trade dependency*	36.6%	38.2%		
□ Inflation (% growth per annum):				
Consumer price	2.7%	3.5%		
Producer price (intermediate goods)	5.1%	5.6%		
Unit labour costs	1.3%	2.3%		
□ The labour market:				
Unemployment total	10.0%	9.5%		
Male	7.7%	7.1%		
Female	12.8%	12.7%		
Employment growth	-0.7%	1.5%		
Female participation rate	57.2%	N.A.		
Dependency ratio**	39.2%	N.A.		
□ Financial sector:				
Total reserves minus gold (\$bn)	25.364	24.611		
Gold reserves (\$bn)	33.666	33.982		
Real deficit as % of GDP	1.5	1.55		
M1 growth rate	4.1%	7.9%		
M2 growth rate	3.7%	4.4%		
M3 growth rate	7.5%	8.0%		
□ Interest rates (monthly averages):				
Discount rate	9.50%	9.50%		
Commercial banks prime lending rate	9.40%	9.75%		
Real money rate	6.07%	6.07%		
Three-month Treasury Bill rate	7.62%	9.38%		
Long-term Government Bond yield	9.06%	8.61%		
□ Exchange rates:				
Francs to ECU sterling	10.59	10.45		
Francs per £1	7.0145	7.0037		
□ Exchange rate indices 1985 = 100:				
US dollar	149.9	136.8		
Trade-weighted exchange rate	98.7	103.9		
□ Stock market indicators:				
Turnover (monthly average FFf bn)	70.3	106		
Growth in market capitalisation (year-end)	58.8%	42.6%		
FTA France index gross dividend yield	2.98%	2.64%		
FTA France index 1987 = 100	145.4	168.4		
FTA Europe index 1987 = 100	118.7	151.6		

\* Exports plus imports as % of GDP. \*\* % of population under 15 and over 60  
Source: IMF, Deutschem; Economist Intelligence Unit; Christopher Flood, Keith Fray, FT Editorial Research Department.



William Dawkins on the development of cheap and plentiful nuclear power

## The EC's largest energy exporter

AN INDEPENDENT nuclear-based source of power has been at the heart of France's energy policy since the 1973 oil price shock - and so it will remain for the foreseeable future.

Successive governments, left and right, have pursued that aim with remarkable consistency over the years, an industrial version of the consensus that maintains France's independent nuclear deterrent.

The Government argues the country's meagre coal resources and the moderate size - at least on the global stage - of Elf Aquitaine and Total, the state-controlled oil and gas companies, give it little option. This is all the more true at a time when some analysts are forecasting a 70 per cent rise in world energy consumption between now and 2020.

Mr Roger Fauroux, the Industry Minister, told a recent parliamentary debate. The fast expansion of France's publicly-owned nuclear power capacity over the past decade has laid the Government open to charges of dumping cheap electricity surpluses on its European neighbours and stretching European Community competition rules to the limit - allegations it strenuously denies.

All the same, it is a striking achievement. France is not only the world's second largest provider of nuclear-powered electricity after the US, but it is the country with the world's highest dependence on nuclear power in relation to its consumption, a position which causes much less of the popular worry about nuclear safety that bedevils Britain's and West Germany's smaller nuclear programmes.

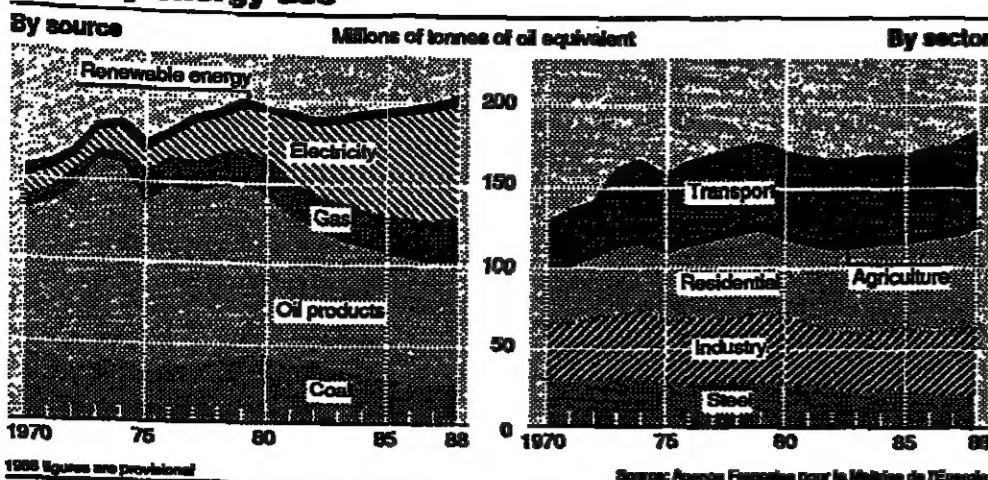
It provides just under half of its own power needs - more than twice as much as before the first shock - and has enough left over to be the EC's largest energy exporter.

Electricité de France (EdF), the state-owned electricity board, derives 80 per cent of its power from nuclear plant and provides French industry with some of the cheapest electricity in the EC.

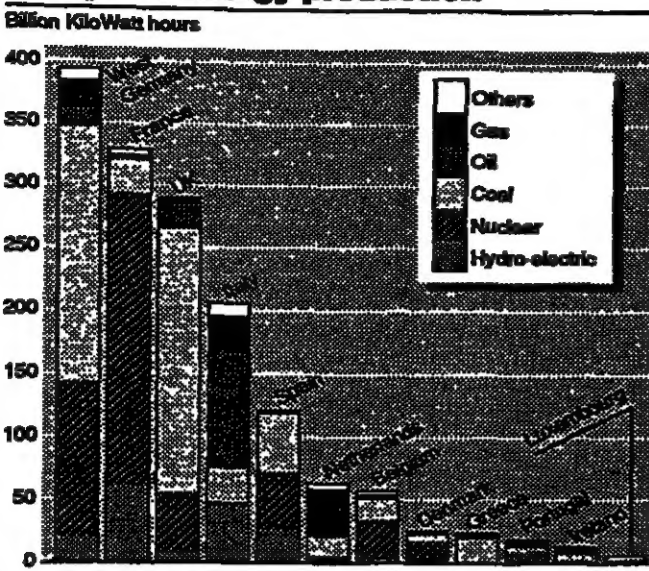
Its 55 reactor units, with a capacity of 52,000MW, provide about a third of the country's primary energy consumption, compared with 45 per cent for oil and gas. Moreover, EdF's gross electricity exports, negligible in the early 1980s, reached FF3.2bn last year, 15 per cent more than in 1988.

The Government's priority is to hold onto that position, and also push for fewer barriers to cross-border sales of electricity

## Primary energy use



## European energy production



in the EC's creation of a single market. Mr Fauroux recently said not export would double. "If we can surmount the obstacles of all kinds which still hold up the development of exchanges."

Britain is the biggest buyer of French electricity, via cross-channel cable, followed narrowly by Switzerland and Italy.

West Germany's large industrial market is more or less closed to French electricity because of protection measures used by the Bonn Government to prop up its costly but politically-important coal industry.

France subsequently sells more than seven times more electricity to tiny Switzerland than it does to its German neighbour. Mr Fauroux last year signed an accord with the West German Government to

"develop electricity exchanges" and work together on nuclear safety and other aspects of energy policy. But the opening of the German market still faces political problems.

Meanwhile, EdF has made its first contacts with eastern Europe, with the sale last year of computer-aided design equipment for power stations to Hungary, Czechoslovakia and the Soviet Union.

Critics maintain that France has overdone its nuclear policy. An over-ambitious plan building programme in the 1980s has left it with a power surplus that overhangs the European energy market, they say. But Mr Fauroux and Mr Pierre Delaporte, EdF's chairman, could not disagree more.

The two men do not see eye to eye on several matters, notably

how much EdF should be allowed to charge French users for its electricity.

But they are both firmly opposed to the conventional view that the nuclear power surplus - if there really is one - is a problem.

"It is an asset for our economy," Mr Fauroux told a recent parliamentary debate. "We possess a structural advantage in this domain and not just a temporary over-capacity leading us to sell off our surplus," he said.

In contrast, Mr Delaporte cannot accept the existence of a surplus after the "catastrophe" experienced last year's unusually hot summer.

The drought made EdF short of water to cool its nuclear power stations and hampered its ability to make up the gap with older hydro-electric plants. As a result, it had to use more expensive coal and gas-fired power stations - a factor behind EdF's FF4.4bn loss last year. EdF is building another eight units, due to come on stream in 1992.

Another feature in EdF's loss in 1989, the second consecutive year of losses and the sixth time in the past decade, is the Government's policy of holding prices well below the inflation rate. The blunt Mr Delaporte has remarked more than once that EdF's state shareholder appears to believe that it is "indecent" for public service companies to make profits.

Mr Delaporte's industrial customers would probably not agree. For they benefit from the lowest electricity prices of any EC country apart from Denmark, 45 per cent below UK rates for larger companies and 54 per cent less than West Germany's.

The advantage this gives French power users is one reason why the country is attractive to energy-intensive industries such as paper making, where several Scandinavian companies have bought or invested in France in recent years. Among them is Finland's United Paper Mills, which plans by the end of this year to open a new plant for its French subsidiary, Stracel.

It is no surprise that some of EdF's largest supply contracts, with Pechiney, the state-controlled packaging and aluminium group, and with US-owned Exxon Chemicals have been scrutinised very closely by Sir Leon Brittan, the European Commissioner for Competition Policy. The Commission obliged Pechiney to accept slightly higher electricity prices than planned for what will be the company's biggest aluminium smelter at Dunkirk in northern France, and is meanwhile considering whether the Exxon scheme includes an illicit state subsidy.

EdF's prices are set in renewable four-year operating plans, agreed with the Government. The most recent, from the start of 1989 to the end of 1992, targets a FF20bn reduction in EdF's FF252bn debts, sets objectives for improving services and binds EdF to hold prices at 1.5 per cent below the inflation rate.

In the event, the Government has squeezed EdF even harder than that. Last year's average price increases came out at 0.5 per cent, less than half the 1.5 per cent contained in the original budget, which was itself based on an inflation forecast which was below the actual rate.

This low price policy makes its competition and the Brussels Commission suspect that it is deliberately selling at a loss, argues EdF's management. Moreover, it risks eroding the commercial drive of its industrial customers.

But for the future, it looks as if the Government's energy policy will continue as before, so that companies operating in France can continue to count on cheap nuclear electricity.

## BANKING AND INSURANCE

## Alliance pressures

A YEAR ago, French bankers and insurers were taking up positions in a heated and largely theoretical debate on whether their two trades could be successfully merged to form a single concept of "bancaassurance".

Even then, it was obvious that neither side was willing to respect for the spect of extending their product ranges or broadening their client lists on the altar of dogmatic purity.

A year later, it is even clearer that pragmatism is the guiding principle; bankers and insurers have developed a renewed respect for the specialities of their own professions.

Banks and insurance companies alike face their own sets of pressures - tighter regulations, changing competitive conditions - and it has become clear that an alliance between the two can only respond to some of these problems.

French banks, like those in most other leading banking centres, are being compelled by the mounting pressures of the Cooke capital adequacy ratios to reconsider the businesses they are active in and, in some cases, to restructure radically.

The 16 largest French banks at the end of 1988 had capital bases covering 8.6 per cent of their total assets, according to the Cooke ratio definitions.

On the stricter definitions to come into effect in 1992, however, this ratio drops to 7.5 per cent, below the 8 per cent that will be required. They will, therefore, need to strengthen their capital bases in order just to stand still, let alone to permit them to expand their activities.

For the smaller banks, the effect of the Banking Commission's tighter surveillance, evident for three years, has been dramatic. The Banking Commission's requirement that each bank should progressively build its bad debt provisions up to the average of the profession, now followed by the application of the Cooke ratios, has triggered an enforced restructuring of the French banking sector.

The effects have been most striking in the areas of Middle Eastern and consortium banks. Noisy failures such as United Banking Corp or Lebanese

Arab Bank, and less noisy bail-outs such as Kuwaiti French Bank, have had only limited effect, but not all the difficulties have been on such a small scale.

Al Sandi Banque left losses of over FF2.2bn to be borne by the rest of the French banking profession, while Banque Arabe et Internationale d'Investissement (BAII) could have presented problems on the same scale had not Banque Nationale de Paris (BNP), the largest state-owned bank and one of BAII's main shareholders, stepped in to inject fresh equity and take a large portion of the consortium bank's troubled loan portfolio onto its own books.

Analysts estimate, nevertheless, that BAII will cost BNP less than Banque Internationale pour l'Afrique Occidentale

**Even the biggest banks, whose capital bases need no outside support, face pressures**

(BIAO), a West African consortium bank where, once again, it is having to pick up the pieces as reference share holder. BIAO had already cost BNP over FF1.5bn by the end of 1989, and the liquidation of its Paris operations and withdrawal from its three main offices in Senegal, Cameroon and Côte d'Ivoire is expected to cost several hundred millions more.

This enforced restructuring has reached as far as the Banque Française du Commerce Extérieur (BFCE), the foreign trade bank which has now obtained the backing of Assurances Générales de France (AGF), the state-owned insurance company. Messieurs Hottinguer et Cie, the oldest bank in France, has also felt the wind blow and has converted, after two centuries of existence, into a limited liability company.

Even the biggest banks, which have comfortably provided 80 per cent or more of their sovereign debt risks and whose capital bases need no outside support, face pressures: in particular, that of trimming their sometimes overweight branch networks and staffing

rosters in order to compete. A series of rumbling strikes last year, most notably at the BNP, provided an ominous warning of problems to come with network restructurings.

Insurance companies do not face the same capital adequacy imperatives as their banking counterparts, but they have undergone a thorough overhaul of the insurance code which governs their activities, and they confront similar problems in adapting their distribution networks to new competitive conditions.

It is no longer fashionable, as it was little more than a year ago, to suggest that tied insurance agents, the dominant distribution form in France, are uncompetitive and doomed to extinction.

Nevertheless, traditional insurance companies must rethink their relationships with their tied agents and create new organisational structures, either, like AXA-Midi, because they needed to merge four separate and competing networks into a group, or simply to match the competition of France's direct sales mutuals, for the most part extremely efficient.

Yet French insurers have been most visible recently in their efforts to gain market share throughout Europe with a series of substantial deals: the grouping formed by Victoire, now owned by the Suez investment and banking conglomerate, with Colonia/Nordstern in West Germany, Nieuw Rotterdam in the Netherlands and Baltica in Denmark, or UAP's recent push into the assistance and emergency services field with the FF650m acquisition of Spain's Gea.

"There are two aspects not directly linked to economies of scale which explain the fantastic battle being played out today on the European scene. The first is the constitution of networks: we are fighting not so much for size, as for presence and market share in various countries," commented Mr Michel Albert, chairman of AGF, at a recent conference. "The second aspect, a bit more perverse, is that when the whole market is involved in a spiral of concentrations, you have to get involved yourself."

George Graham

## Deregulation of telecommunication services

## Shackles to be removed

FRANCE TELECOM has won a long campaign to throw off its political shackles so that it can operate more freely in the increasingly competitive European telecommunications market.

The deregulation of France's telecommunications industry, which passed its main parliamentary hurdle last month, will from next January remove France Télécom from the control of the Posts and Telecommunications Ministry - where it had the status of the government department.

It will allow the organisation to manage its own affairs as independently of political control as most of its European competitors. This is a gentler brand of deregulation than has been the case in the UK or even West Germany. It also falls well short of the telecommunications privatisation wanted by the previous right-wing government, but frustrated by the unions.

Even so, this is one of the biggest legislative tasks to have been tackled by the Socialist administration, as well as a prime example of how the Government is happy to encourage the public sector to become more entrepreneurial and aggressive.

The philosophy behind the plan is to help the telecommunications authority become more internationally competitive ahead of the liberalisation of telecommunications services across the EC in 1993, while at the same time preserving the organisation's public service role.

It splits the telephone and postal services into separate independent organisations, contrast to their old status of ministry departments, a set-up only shared by an eccentric European minority of Denmark and Luxembourg.

The plan coincides with new rules laying out for the first time in which areas of data communication - its fastest growing and most profitable service - France Télécom will lose its monopoly.

In line with the EC telecommunications services directive, France Télécom would keep its monopoly on the basic network and voice phone services. The supply of terminal

equipment like telefax machines and telephone handsets and value-added services like home banking, will be open to competition, but subject to strict licensing conditions. Initially, the Government wanted to keep a public monopoly on basic data switching - the simple transfer of computer data - but softened that position to allow competition on condition that private companies do not undercut France Télécom.

"If the public service has to connect everybody, even if it costs money, and the competitors cream-skim all that is profitable, that is the end of the public service," argued Mr Bruno Lasserre head of the DRG, the telecommunications regulatory authority.

France Télécom, one of the country's biggest industrial

equipment like telefax machines and telephone handsets and value-added services like home banking, will be open to competition, but subject to strict licensing conditions.

Moreover, France Télécom felt hampered by having its budget frequently raided by other government programmes at a time when it needed to invest heavily in new services like mobile communications and integrated services digital networks, the future networks for simultaneous voice, data and picture transmission.

In the past two decades, France has moved from having one of Europe's worst telecommunications services to one of its best, with business and domestic phone charges among the world's lowest, the world's largest data switching network and the greatest availability of digital transmission.

**France has moved from having one of Europe's worst telecommunications services to one of its best, says WILLIAM DAWKINS**

employers with sales of FF94.5bn last year and 155,000 staff, will be run as a state-owned service company, along the same lines as the SNCF.

The DRG regulatory body will stay in the ministry. While Mr Lasserre insists that the DRG polices the service independently of political influence, his status contrasts with the full independence granted to Ofel, the DRG's British equivalent - a reminder of the strength of the public service ethic.

In giving France Télécom its freedom, Mr Paul Quilès, the Telecommunications Minister, was partly responding to the wider European pressures.

These were highlighted in an independent report by Mr Hubert Prévot, former head of the national planning agency, which was changes.

But Mr Quilès was also being edged on by the management of France Télécom itself, keen to shake off a heavy anachronistic political control that dates from 1837, when Louis Philippe was attempting to regulate the early telegraphic service. There is a perception that

It has created Minitel, the world's largest videotext service, with more than 5m free terminals in French homes and offices. It gives access to several thousand services from erotic messages - said to be on the decrease - to home banking, share prices, tele-shopping and travel bookings and is just beginning to explore export markets.

Yet France Télécom has missed the odd trick. It is behind the game on mobile phones, where the density of mobiles in use in France is a mere fifth of that in Britain and one twentieth of Scandinavia. Some observers blame this on Government pressure to concentrate on Minitel and installing fibre optic cables, at the expense of other services.

However, France Télécom is now working hard to catch up. Trials are about to start for a Telepoint-style pocket phone service, in which subscribers make calls from near base stations dotted around in public places. A full service is scheduled nationwide for the mid-1990s.

Suppliers and customers' organisations equally welcome the prospect of change, on the

grounds that France Télécom should be easier to do business with as a public company than as part of the powerful PTT Ministry. At present, says Mr Jean-Claude Lavanin, head of SAT, the telecommunications equipment makers' association, the Government is "judge and jury in its own case." Mr Jean-François Berry, head of the telecommunications users' organisation, is pleased with the service, but agrees that change is needed.

Yet the reform could also make life harder for French suppliers if it makes it easier for France Télécom to pursue a less nationalistic purchasing policy, something it is already being obliged to do by the pace of technological change. To keep its networks up to scratch, France Télécom is obliged to look abroad for suppliers more than in the past, since the domestic industry cannot be expected to supply all of its increasingly complex needs.

Giants like Alcatel, the dominant supplier, can compete, partly thanks to the Government's supportive industrial policy of the past decade, but also helped by its merger with the telecommunications activities of IIT of the US, creating Europe's largest telecommunications equipment group.

Smaller producers like SAT, 15 per cent owned by Matra, may be vulnerable without alliances with larger foreign groups, fear observers.

It says something about France's generally more liberal climate that Mr Quilès managed to negotiate the unions representing the 455,000 staff of both organisations, a task that failed his predecessor in the previous Gaullist administration, Mr Gerard Longuet.

They were initially fearful of losing their status as civil servants, but have accepted promises that their jobs will be just as protected under the new scheme. Mr Quilès has negotiated cleverly, by using European pressure for liberalisation to lean on the unions, while at the same time using the unions' anxieties to push successfully - for a more cautious EC directive than the European Commission had wanted.

## NORMANDY, FRANCE



## THE KEYS TO SUCCESS

ONGOING TECHNOLOGICAL RESEARCH. INDUSTRIES IN OUR AREA ARE THE FIRST TO BENEFIT. OUR SUCCESS STEMS FROM INVESTMENT.



Upper Normandy's commitment to advanced research shows. The region is home to over 100 research laboratories including Shell, Janssen and Le Coria, and employs some 3000 research scientists and technicians. We welcome innovation. Upper Normandy is a leader in industrial growth and development. 7 of France's 10 largest companies and

over 300 foreign firms base themselves in the region. What's more, our workforce backs our commitment to industry. Upper Normandy's location is right. As the nation's foremost maritime region, its two giant ports and modern communications and transport systems enable it to service a full third of France's foreign trade. People in Upper Normandy are skilled and motivated in a variety of disciplines. The region's unique cul-

tural heritage makes it a great place to live and work. For centuries, Normans have shared in a grand tradition. They pride themselves on excellence and achievement in their every conquest.

**Conseil Régional de Haute-Normandie**

FOR INFORMATION, PLEASE CONTACT DOMINIQUE NORMAND TEL: (33) 33 52 56 00 - FAX: (33) 33 52 56 56



# BNP: THE FUTURE IN HAND

1989: BRISK ACTIVITY, STRONG INCOME GROWTH

In the midst of an extraordinarily eventful year and an international context of economic growth and financial market volatility, BNP successfully reasserted its basic ambitions: strengthening its position as leading universal bank in France and playing a major role in banking in Europe and the rest of the world.

In France and abroad, BNP increased market share, developed networks, enlarged the range of its products and services, modernized its operating facilities and strengthened its financial structures.

Professionalism, quality and innovation are the key values of our corporate plan, serving every category of customer. BNP has its future well in hand.

## THE LEADING UNIVERSAL BANK IN FRANCE

1989 was a year of brisk activity for BNP, with strong growth in deposits, lending, asset management and financial transactions.

The bank thus enlarged its share of the market, particularly with respect to private customer and small and medium-sized company lending. At the end of 1989, assets managed by BNP (deposits, UCITS, life insurance) reached FRF 480 billion, increasing by 12.8%.

The agreement with UAP enabled BNP to offer a broader range of services and to diversify channels of distribution: "insurance windows" have already opened in a number of branches.

BNP developed its network: Banque de Bretagne joined the Group with its 78 branches and its subsidiary Banque de la Cité.

At the same time the bank increased the pace of modernization of its operating facilities. In its branches, renovated and more functional, 15,000 multi-purpose work stations have been installed, with direct data acquisition capabilities for customer transactions. More than 1,000 BNP automatic teller machines are now available to the public.

On financial markets, BNP bolstered its number one position in share flotations (52 transactions), stock market listings (9 listings on the second market), commercial paper and certificates of deposit.

## A MAJOR GLOBAL PLAYER

In pursuing its international development, BNP has decided to base its growth on a policy of alliances, acquisitions and international development.

A close relationship has been established with DRESDNER BANK. In Italy, BNP has become a shareholder of CREDITO ROMAGNOLO. BNP ESPAÑA alone opened 15 new branches in Spain in 1989.

The bank has returned to countries with which it has historical ties: Algeria, Vietnam, Madagascar. It broadened operations in Indonesia and Turkey and opened a subsidiary in Uruguay. The establishment of a leasing company in the USSR and a financial company in Hungary are the first stages of an active penetration of Eastern Europe.

In view of the Single European Market, BNP launched the first comprehensive line of European mutual funds, based in Luxembourg.

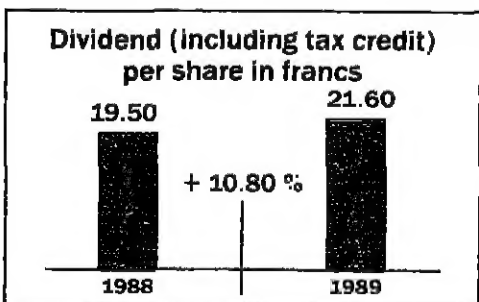
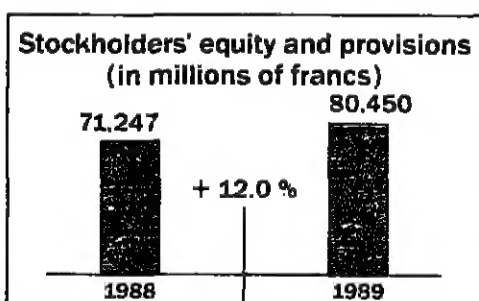
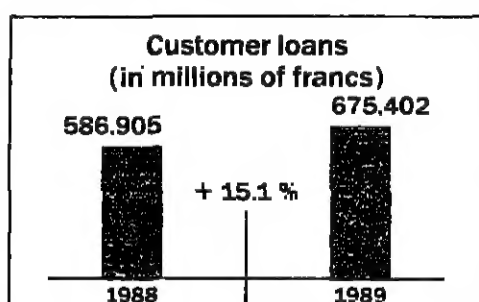
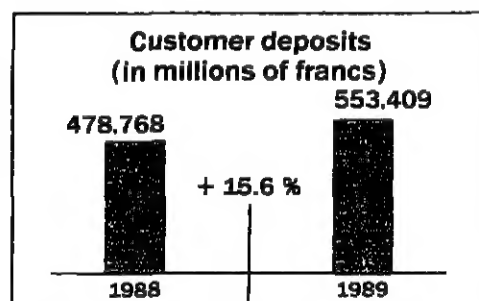
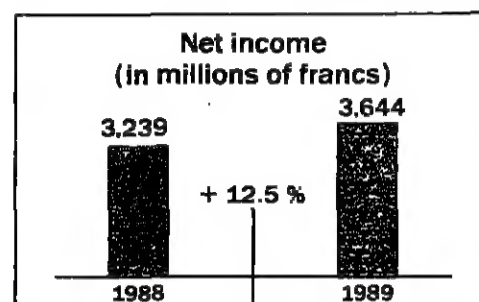
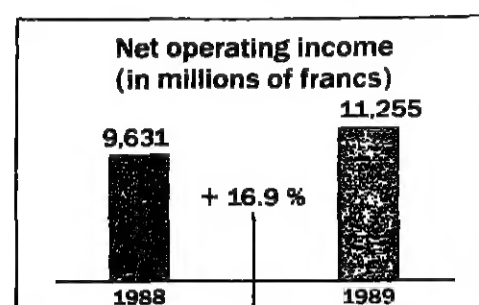
Three figures highlight the increase in BNP's earnings.

For the first time in its history, BNP's net operating income exceeded FRF 10 billion, reaching FRF 11.25 billion, a 16.9% increase.

Net income for the Group rose to FRF 3.65 billion (+ 12.5%).

The dividend, including tax credit, of FRF 21.60 (versus FRF 19.50 in 1988) represents an increase of 10.80%.

## BNP 1989 : KEY FIGURES



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